



FUND OVERVIEWS

General Fund

	Fiscal Year				
	2010 Actual	2011 Amended Budget	2011 Projected Actual	2012 Adopted Budget	2013 Proposed Budget
Operating Budget:					
Revenue	\$ 100,723,459	\$ 99,869,807	\$ 99,576,888	\$ 103,207,554	\$ 104,828,535
Expenditures	99,746,409	100,646,298	98,659,438	103,118,549	106,987,845
Operating surplus	977,050	(776,491)	917,450	89,005	(2,159,310)
Capital budget:					
Capital revenue	333,194	375,495	15,130	-	-
Capital budget	753,206	2,241,862	912,550	220,570	560,570
Net addition to (use of) reserves	\$ 557,038	\$ (2,642,858)	\$ 20,030	\$ (131,565)	\$ (2,719,880)

BACKGROUND

The General Fund is used to account for the traditional services associated with local government, including public safety (fire and police), parks, recreation, streets maintenance and library services. As a full-service city, the General Fund also accounts for community development-related services, such as building, planning, and land development services; engineering services; maintenance of street lights; and environmental programs. Also included in the General Fund are the administrative departments and programs, including the City Attorney's and City Administrator's Offices, the Finance Department, the City Clerk's Office and Human Resources.

Some of the costs associated with providing these services are recovered through fees and service charges, or through inter-fund charges (i.e., charges to other funds for services provided by General Fund departments). However, the large majority of these costs are funded from general tax revenues. For example, the three largest tax revenues in the General Fund - sales taxes, property taxes, and transient occupancy taxes – account for \$53,877,013 (52%) of the total \$103,207,554 fiscal year 2012 budgeted operating revenues. Only \$9,660,464 (9%) of total revenues is from fees, and \$18,090,466 (18%) is from inter-fund charges.

The revenue composition of the City's General Fund, which heavily relies on general tax revenues as the primary funding source for its programs and services, is fairly common in local government. General taxes, such as property taxes, sales taxes, utility users' taxes, transient occupancy ("bed") taxes, are the traditional revenue sources of a local government's general fund operations.

In the case of the City of Santa Barbara, tax revenues (\$63,661,313) comprise 62% of total budgeted revenues in the General Fund. Although not unusual, the specific composition of taxes in the City has proven to be not only a strength, but at times a weakness. With sales tax and transient occupancy tax revenues being two of the top three revenues, both of which are fairly elastic to economic swings, the General Fund is susceptible to financial boons and setbacks. This was the case during the recession of the early 1990's and, more recently, in the aftermath of September 11, 2001 terrorist attacks and the ensuing economic downturn. As a tourist destination



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for local, domestic and international visitors, the events of September 11, 2001, had an immediate and significant downward impact on sales tax and transient occupancy tax revenues.

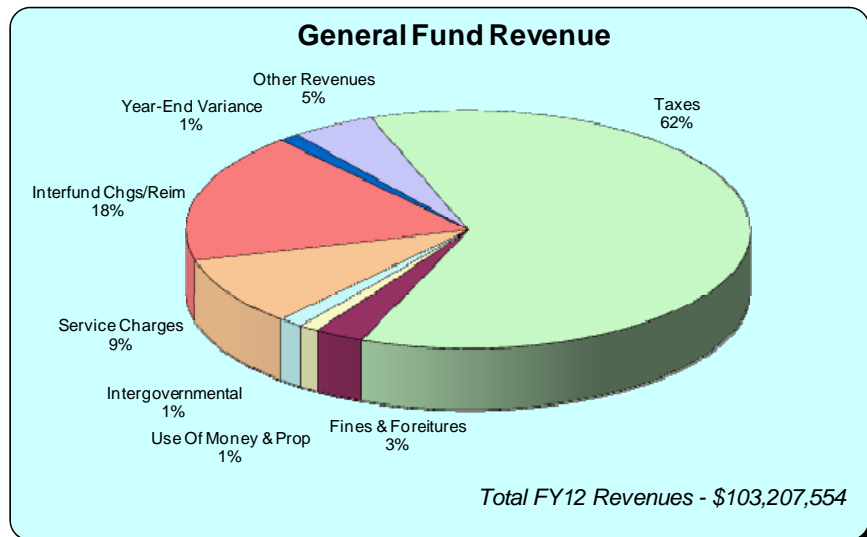
Expenditures, on the other hand, are generally less volatile and thus more predictable. Because General Fund services are labor-intensive, salary and related benefit costs (\$80,186,464) comprise approximately three-quarters of the total General Fund operating budget. As a result, during economic downturns when revenues flatten or decline, cutting expenditures without reducing staffing levels is very difficult. For example, during the most recent economic downturn, the General Fund eliminated a number of positions to offset revenue losses and other cost increases.

SUMMARY OF ADOPTED FY 2012 BUDGET

As shown in the table at the top of the previous page, the adopted fiscal year 2012 General Fund operating budget projects total revenue of \$103.2 million to fund an operating budget of \$103.1 million. The operating surplus (\$89,005), along with reserves from the leaking underground fuel tank abatement program) of \$131,565, is sufficient to fund the entire planned capital program for fiscal year 2012.

Operating Revenues

The chart on the right displays the General Fund's major revenue sources. Taxes, budgeted at \$63,661,313, still constitute the largest source of General Fund revenue (62% of total revenues). Inter-fund Charges and Reimbursements, which represent payments to the General Fund from other City funds for various services provided to those funds, is the second largest category at 18%.



Within the taxes category, property tax revenues make up 22.3% of total revenue, followed by sales and use taxes at 17.4%, and then transient occupancy tax revenues at 12.5%. In recent years, the General Fund's property tax revenue base has been modified by State action changing the way in which vehicle license fees (VLF) are allocated. In connection with the adoption of its fiscal year 2005 budget, the State implemented what is termed the "VLF for Property Tax Swap of



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2004", and also referred to as the "triple flip", which eliminated approximately 90% of VLF revenues and replaces them with an equal amount of property taxes. In fiscal year 2006, the swap became a permanent adjustment to the receipt of VLF and property tax revenues, resulting in approximately \$5 million in additional property taxes in fiscal year 2006 and a corresponding reduction in VLF revenues. Given the growth rates realized over the last ten years in the city's property tax revenues, this swap actually provides not only greater growth potential in these revenues, but a more stable revenue base given the volatile nature of VLF payments over recent years.

Overall, staff is projecting modest growth in the General Fund's major tax revenues in fiscal year 2012. Additional detail is presented on the following page, but growth rates are projected to be between 0.6% and 4.7%, depending on the particular revenue. We are anticipating even stronger growth in fiscal year 2013.

Taxes

Overall, the adopted fiscal year 2012 tax revenue estimate is 2.3% above the projected fiscal year 2011 year-end amounts. The table below details the City's tax revenues with amounts presented for the adopted budget and projected fiscal year 2011 year-end actual amounts, and the two-year financial plan (including the adopted budget for fiscal year 2012). The "percentage growth" amounts compare the fiscal year 2011 projected year-end amounts to the adopted fiscal year 2012 budget and the adopted fiscal year 2012 budget to the proposed fiscal year 2013 budget.

	Fiscal 2011 Budget	Fiscal 2011 Projected	Fiscal 2012 Adopted	Fiscal 2013 Proposed	FY12 % Growth	FY13 % Growth
<i>Sales and Use</i>	<i>16,414,000</i>	<i>17,079,799</i>	<i>17,619,000</i>	<i>18,324,000</i>	<i>3.2%</i>	<i>4.0%</i>
<i>County 1/2 Cent Sales Tax</i>	<i>300,359</i>	<i>321,948</i>	<i>330,013</i>	<i>339,915</i>	<i>2.5%</i>	<i>3.0%</i>
Sales and Use	\$16,714,359	\$17,401,747	\$17,949,013	\$18,663,915	3.1%	4.0%
Utility Users	7,040,000	7,057,869	7,144,500	7,206,500	1.2%	0.9%
Property	22,790,000	22,842,695	23,063,000	23,396,000	1.0%	1.4%
Transient Occupancy	11,157,000	12,286,931	12,865,000	13,507,000	4.7%	5.0%
Business License	2,168,000	2,215,900	2,229,800	2,243,800	0.6%	0.6%
Real Property Transfer	358,100	405,492	410,000	415,000	1.1%	1.2%
Total Taxes	<u>\$60,227,459</u>	<u>\$62,210,634</u>	<u>\$63,661,313</u>	<u>\$65,432,215</u>	<u>2.3%</u>	<u>2.8%</u>

This comparison presents a clearer picture of the growth rates staff projected for fiscal years 2012 and 2013 and is consistent with the way staff develops the revenue estimates. Staff begins by evaluating fiscal year 2011 year-to-date amounts and projects estimated year-end balances. Then projections for the two-year financial plan years are developed based upon the prior year-end estimates, less any adjustments for any structural changes.

As the table above indicates, the City is projecting 3.1% growth in sales tax revenue. As the City's second largest and most economically sensitive revenue source, staff tends to be somewhat conservative with sales tax projections. A negative variance of only 1% in the sales tax

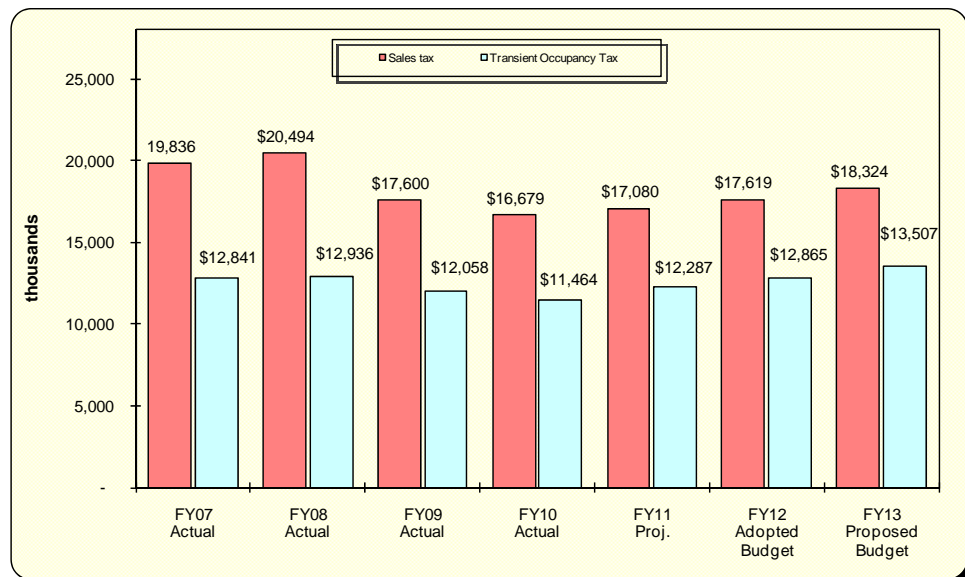


FUND OVERVIEWS

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projection translates into a revenue loss of over \$186,000. In addition, sales tax is more difficult to project because of the significant delay in the state's reporting of actual results. In projecting sales tax growth rates, staff also considers projections developed by the State Franchise Tax Board and the City's sales tax consultant.

As the chart on the right indicates, both sales tax and transient occupancy tax have declined significantly since fiscal year 2008. Transient Occupancy Tax (TOT) revenues are budgeted to have 4.7% growth in fiscal year 2012 and 5% growth in fiscal year 2013. Unlike sales tax, the City receives TOT on a monthly basis and, therefore, it is somewhat more predictable.



Until fiscal year 2010, Property Tax continued to show strong growth, proving to be the City's most stable and reliable tax revenue. Between 1997 and 2006, even in the midst of the recession, property tax revenues grew an average of 8.5% per year. Staff is projecting 1% growth in this revenue for the next couple fiscal years anticipating some modest recovery in assessed values after the recent housing market decline. As can be seen in the tax table on the preceding page, the projected revenues for fiscal year 2011 of \$22.8 million show no change from the \$22.8 million budget because of the recent housing market declines.

Revenue from the City's 6% utility users tax (UUT) is split between the General Fund and the Streets Fund. Pursuant to City ordinance, 50% of the City's UUT is restricted to streets and roads and is budgeted in the Streets Fund. The other 50% is unrestricted and is budgeted in the General Fund. UUT is projected to increase 1.2% next year and 0.9% in fiscal year 2013. The City's utility users tax revenue is volatile from year to year as commodity prices for energy increase and decrease over time. While averaging 3.7%, historical growth percentages in UUT over the past 10 years have ranged from a low of -0.9% in 2011 to a high of 8.9% in 2003. Given the volatility in this particular revenue, staff feels that the 1.2% growth estimate is realistic for fiscal year 2012.



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General Fund

Fines and Forfeitures

This revenue category is projected to provide approximately \$2.9 million in General Fund revenue (3%). By far, the largest item in this group is parking fines, which are anticipated to generate over \$2.4 million of the \$2.9 million total.

Use of Money and Property

This category, totaling \$1.2 million (1% of total General Fund revenue) is comprised of two items. The first, and smaller, is the rents and leases earned on General Fund properties, primarily the three Community Centers in the City. This provides approximately \$416,000.

The more significant revenue in this category is investment income. The fiscal year 2012 budget for investment income is almost \$741,000. This is down from the fiscal year 2011 budget of nearly \$849,000 and the fiscal year-end projection of \$810,000.

Intergovernmental

Intergovernmental revenues are projected to contribute approximately \$1.5 million (1.4%) to the General Fund budget. This is lower than the amount projected for the fiscal year 2011 year-end amount of \$1.6 million. The decrease is due primarily to lost State library grant revenue (\$75,000) and the County's reduced per capita contribution to the library (\$90,000). The fiscal year 2011 year-end estimate for library intergovernmental revenue is almost \$819,000 and, in fiscal year 2012, is budgeted at \$642,000.

Service Charges

After taxes and inter-fund charges, service charges are the third largest revenue category in the General Fund. In total, service charges are projected to provide almost \$9.7 million (9%) of General Fund revenue. As the table below indicates, the adopted fiscal year 2012 amount is

	Fiscal 2010 Actual	Fiscal 2011 Amended	Fiscal 2012 Adopted	Fiscal 2013 Proposed	FY12 % Growth	FY13 % Growth
Administrative Services	\$ 1,775	\$ 2,500	\$ 1,200	\$ 1,200	-52.0%	0.0%
City Administrator	109,470	141,089	120,615	101,766	-14.5%	-15.6%
Community Development	4,432,751	4,288,350	4,368,276	4,523,470	1.9%	3.6%
Finance	841,372	865,930	892,000	892,000	3.0%	0.0%
Fire	158,158	362,459	173,103	173,103	-52.2%	0.0%
Library	41,931	37,000	33,650	33,750	-9.1%	0.3%
Parks & Recreation	2,278,203	2,418,157	2,331,241	2,364,409	-3.6%	1.4%
Police	756,539	784,000	798,000	798,000	1.8%	0.0%
Public Works	1,013,526	744,950	942,380	987,099	26.5%	4.7%
Total	\$ 9,633,725	\$ 9,644,435	\$ 9,660,465	\$ 9,874,797	0.2%	2.2%

approximately \$16,000 (0.2%) over the amended fiscal year 2011 amount. In many cases, the total projected increase in revenue is due to an overall increase in anticipated activity levels



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General Fund

reflecting some anticipated recovery from the recent economic decline. The largest changes include a 26.5% increase in Public Works is due to higher anticipated permit revenue and a 52.2% decline in the Fire Department from an anticipated reduction in civil litigation reimbursement revenue.

While there is always sensitivity to increased fees for government services, staff believes it is important that the City establish fee levels to recover a reasonable portion of the costs of providing those services. Service costs not recovered through program fees must be subsidized with tax revenue. While this may be appropriate in some cases, as a rule, staff believes that the users of the services ought to bear the costs of providing them. However, in most cases, the City's current fee levels still recover only a fraction of the cost of providing the services.

Inter-Fund Charges and Reimbursements

This category of revenue represents reimbursements to the General Fund for services provided to the City's Enterprise and Special Revenue funds. The adopted fiscal year 2012 budget contains over \$18 million from this revenue source, representing 18% of total General Fund revenue. Five items, as discussed below, account for over \$15.2 million of the total.

The General Fund's overhead allocation represents just \$6.1 million. These are charges to the City's Enterprise and Special Revenue funds for administrative services provided by the General Fund. Examples of the services provided include payroll, accounts payable, accounting, human resources, legal, City Clerk and City Administrator support. Each administrative service is individually allocated based upon usage. For example, payroll costs are allocated based upon the number of paychecks issued for each fund.

The Public Works department generates \$4.5 million from engineering charges to City projects. Virtually all of these charges are for engineering support of capital projects. When the General Fund-paid engineering staff works on a capital project, the cost of their time is charged to that project.

The Airport pays approximately \$1.8 million to the General Fund for Fire Department staffing of the Airport Rescue and Firefighting (ARFF) program. This is the fire station at the Airport that provides specialized and FAA-mandated fire and rescue services. The Airport pays for the direct costs of the firefighters as well as all associated costs of maintaining the station and equipment and an allocated overhead.

The General Fund is also reimbursed by the Streets Fund for street-related administrative and direct costs that are budgeted in the General Fund. This includes activities in Public Works and the reimbursement of a portion of the Forestry Program in the Parks and Recreation department to maintain the city's street trees. The Streets reimbursement to the General Fund is budgeted at \$1.3 million in fiscal year 2012.

The final notable item in this revenue category is payment from the City's Redevelopment Agency (RDA) for staffing of the Agency. The RDA has no staff. Under a contract between the City and



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General Fund

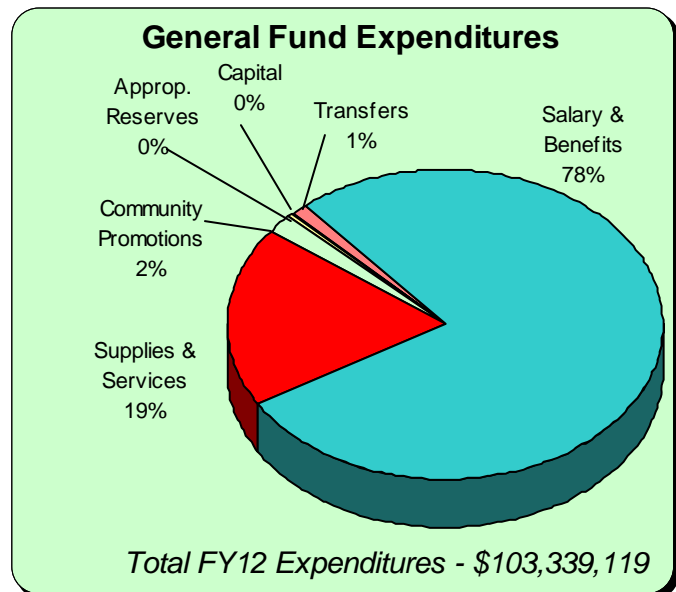
the RDA, the City commits to providing staffing to the Agency, including legal services. This reimbursement totals approximately \$1.4 million.

EXPENDITURES

As mentioned at the beginning of this section, overall General Fund operating expenditures in the adopted fiscal year 2012 budget are approximately \$103.1 million. Including a capital program of \$220,570, the total adopted General Fund budget is nearly \$103.3 million.

The chart to the right displays the adopted budget, including capital, by object of expenditure. As is always the case, salaries and benefits (78%) represent the largest portion of the General Fund budget. Expenditures for supplies and services make up 19% of the total adopted budget.

Capital expenditures represent 0.2% of the General Fund budget. As indicated in the chart, the Community Promotion budget comprises 2% of the budget. The Community Promotion program accounts for City contributions to various civic events such as Old Spanish Days and Summer Solstice, as well as to organizations such as the Conference and Visitors Bureau.



The table on the next page summarizes General Fund operating expenditures by department for the adopted fiscal year 2011 budget, the fiscal 2011 amended budget, and the adopted two-year financial plan for fiscal years 2012 and 2013. The percentage change columns are based on the change from fiscal year 2011 amended budget to the adopted fiscal year 2012 budget and the change from the adopted fiscal year 2012 budget to the proposed fiscal year 2013 budget.



FUND OVERVIEWS

General Fund

General Fund Departments						
	Fiscal 2011		Fiscal 2012	Fiscal 2013	FY12 %	FY13 %
	Adopted	Amended	Adopted	Proposed	Growth	Growth
Administrative Services	\$ 1,641,770	\$ 1,661,770	\$ 1,947,674	\$ 1,728,969	17.2%	-11.2%
City Administrator	1,792,122	1,849,353	1,904,751	1,987,269	3.0%	4.3%
City Attorney	1,867,900	1,867,900	1,930,640	2,041,924	3.4%	5.8%
Community Development	9,980,620	10,495,062	10,049,924	10,470,537	-4.2%	4.2%
Finance	4,183,067	4,189,067	4,392,750	4,639,677	4.9%	5.6%
Fire	21,441,666	20,296,297	21,086,991	22,016,368	3.9%	4.4%
Library	4,085,880	4,258,939	3,930,476	4,087,947	-7.7%	4.0%
Mayor & Council	679,880	686,819	725,196	746,480	5.6%	2.9%
Community Promotions	3,256,350	3,256,350	3,196,541	2,987,053	-1.8%	-6.6%
Parks and Recreation	12,866,930	12,885,815	12,659,268	13,091,030	-1.8%	3.4%
Police	33,237,776	32,627,879	34,521,329	35,946,740	5.8%	4.1%
Public Works	6,571,047	6,571,047	6,773,009	7,243,851	3.1%	7.0%
Total	<u>\$101,605,008</u>	<u>\$100,646,298</u>	<u>\$103,118,549</u>	<u>\$106,987,845</u>	<u>2.5%</u>	<u>3.8%</u>

As the table indicates, while the General Fund operating budget for fiscal year 2012 is only 2.5% above the fiscal year 2011 amended budget, the individual General Fund departmental budgets are, in some cases, significantly above or below the fiscal year 2011 amended budget. All department budgets contain increases in salaries and benefit costs in fiscal year 2012 because of the impact of negotiated salary contracts as well as the rising cost of health insurance premiums and retirement costs. However, many department budgets are actually lower than the fiscal year 2011 amended budget because of recent labor concessions, including furloughs. The Administrative Services Department's budget is 17.2% above the fiscal year 2011 primarily because significant funding for the municipal election was not included in the fiscal year 2011 amended budget since municipal elections only occur every other year.



FUND OVERVIEWS

Special Revenue Funds

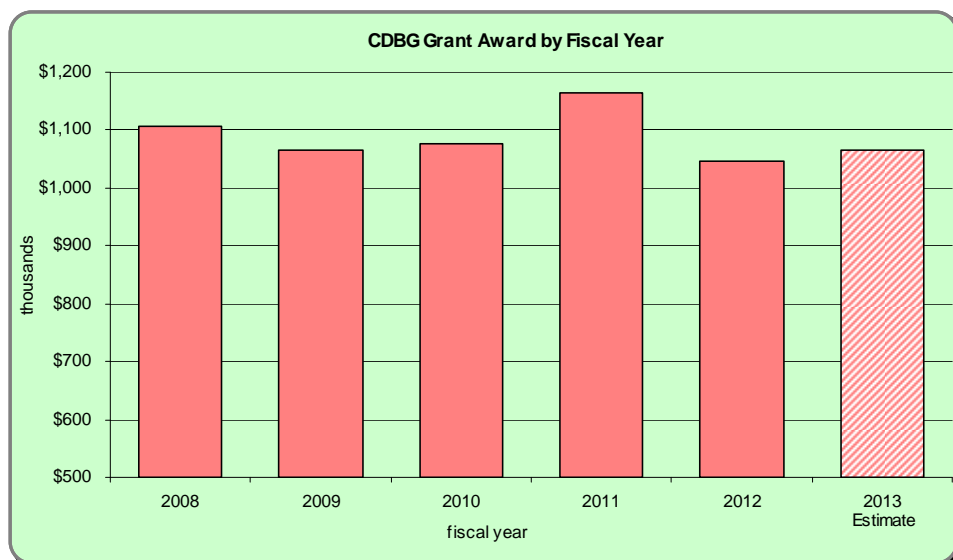
COMMUNITY DEVELOPMENT BLOCK GRANT FUND

	Fiscal Year				
	2010 Actual	2011 Amended Budget	2011 Projected Actual	2012 Adopted Budget	2013 Proposed Budget
Operating Budget:					
CDBG Revenue	\$ 1,833,486	\$ 1,753,480	\$ 1,339,771	\$ 1,046,033	\$ 1,065,000
Program Income	584,580	250,000	500,000	250,000	250,000
Total Revenue	2,418,066	2,003,480	1,839,771	1,296,033	1,315,000
Operating Expenditure	2,531,302	2,003,478	1,961,949	1,296,033	1,315,000
Net addition to (use of) reserves	\$ (113,236)	\$ 2	\$ (122,178)	\$ -	\$ -

The City's Community Development Block Grant (CDBG) Fund is used to account for the annual federal block grant received by the City from the U.S. Department of Housing and Urban Development. This annual grant supports programs including the City's Rental Housing Mediation Task Force, human service and community capital grants, and a low and moderate-income housing rehabilitation loan program.

Over the last several years, federal budget actions have adversely impacted the City's annual CDBG award. The chart below indicates that since fiscal year 2006 the City's grant award has declined over \$197,000 (15.9%) to a projected grant amount of \$1.05 million for fiscal year 2012. Although the City's grant award has declined since the peak award of \$1.471 million in fiscal year 2002, the City is still enjoying substantially greater CDBG funding than in the early 1990s when grant amounts were approximately \$800,000. The City remains concerned that federal budget actions may continue to adversely affect the programs supported by the CDBG grant program.

Besides the annual federal grant award, the other major source of revenue in this fund comes from repayments of the housing loans issued under the housing rehabilitation program.



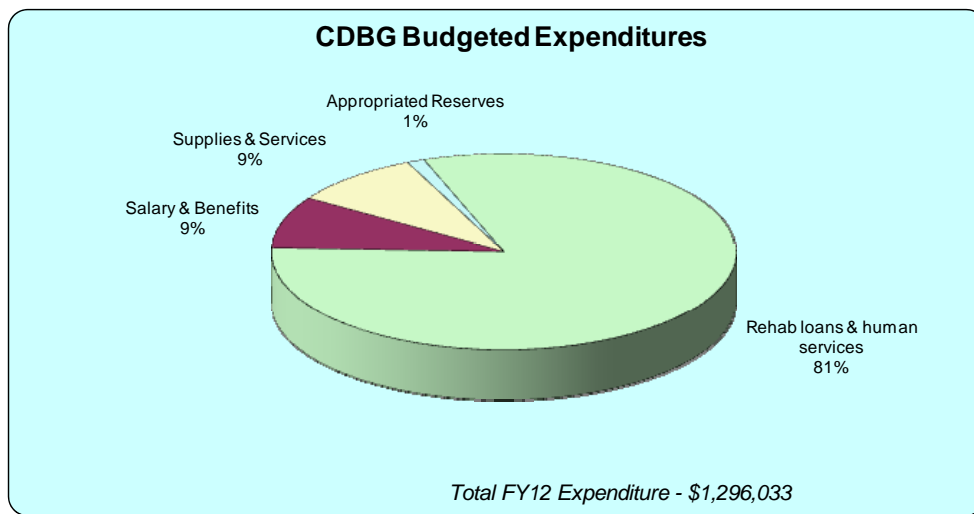


FUND OVERVIEWS

Special Revenue Funds

As of June 30, 2010, the City had almost \$6.41 million in outstanding CDBG funded housing rehabilitation loans. The City maintains a "revolving" loan fund so that as loan repayments are received the funds are re-appropriated and loaned again. As in past years, the adopted fiscal year 2012 budget includes an estimated amount for loan repayments (also known as "program income"). The estimate is based upon an analysis of the scheduled monthly payments for all outstanding loans. Because the routine repayments are quite predictable, they are included in the budget. As indicated in the table at the top of the previous page, loan repayments for fiscal year 2012 are projected to be \$250,000. In some years, loan repayments significantly exceed expectations. For example, in fiscal year 2004 loan repayments were approximately \$750,000, \$350,000 ahead of budget. The additional amounts represent unscheduled pre-payments of loan balances due to property sales or re-financings. Due to the indeterminate nature of these prepayments, no attempt is made to include them in the budget. In the event significant prepayments are received during the year, a supplemental appropriation will be requested from the City Council.

The chart below displays the CDBG budget by category of expenditure. Human service grants (including community capital grants) and housing rehabilitation loans represent 81% of the budget.



The CDBG human services grants are allocated, along with the General Fund human services funding, based upon recommendations submitted to the City Council by the City's Community Development and Human Services

Committee. The Committee's recommendations for fiscal year 2012 grant awards, to be funded from the adopted fiscal year 2012 budget, were recently submitted to and approved by the City Council.

All requests for housing rehabilitation loans are evaluated by program staff and are submitted to the City's Loan Committee for approval. The Loan Committee is comprised of the Assistant City Administrator, Assistant City Administrator/Community Development Director, and the Finance Director. The Loan Committee can approve loans up to \$60,000. Loans of more than \$60,000 require approval of City Council.



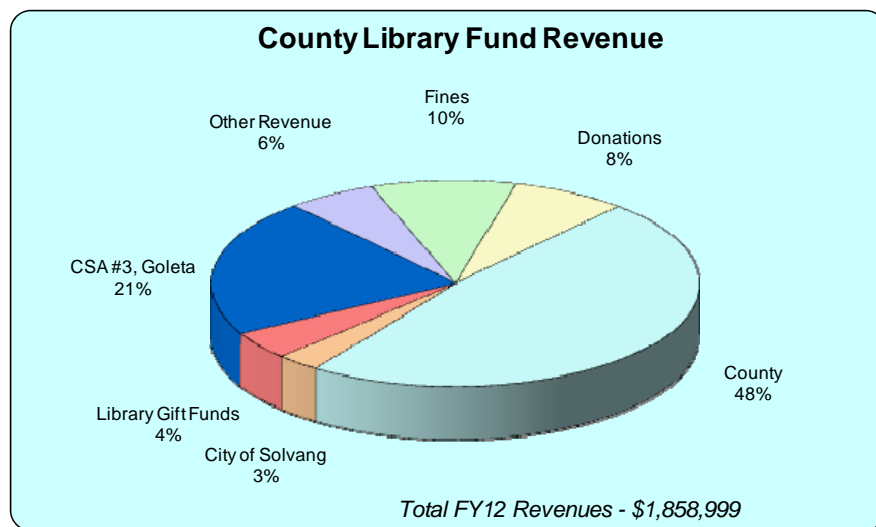
FUND OVERVIEWS

Special Revenue Funds

COUNTY LIBRARY FUND

	Fiscal Year				
	2010 Actual	2011 Amended Budget	2011 Projected Actual	2012 Adopted Budget	2013 Proposed Budget
Revenue	\$ 1,943,747	\$ 1,752,519	\$ 1,785,077	\$ 1,858,999	\$ 1,743,098
Operating expenditures	1,724,757	1,863,394	1,743,350	1,895,222	1,902,566
Net addition to (use of) reserves	\$ 218,990	\$ (110,875)	\$ 41,727	\$ (36,223)	\$ (159,468)

The County Library Fund accounts for the costs of providing a full range of library services to the residents of Solvang, Santa Ynez, Los Olivos, Carpinteria, Montecito, and Goleta, under contract with the County of Santa Barbara. The chart below indicates that revenue to support these services comes from a variety of sources including the County, the cities of Solvang and Carpinteria, fines, fees and donations. Additional funds for the Goleta library are provided by a special assessment (CSA #3). Although additional contributions from various "Friends of the Library" community groups are received occasionally, they are generally not budgeted because of the unpredictable nature of the donations. The budget does, however, include the use of \$92,358 in gift funds from the Friends of the Montecito, Carpinteria, and Solvang libraries used to support some of the program staffing at those libraries. No City of Santa Barbara funds are included in the County Library Fund budget.



Under the terms of the agreement between the City and the County, the City is compensated for managing these County library services. The City's General Fund receives an administration fee amounting to 9% of the annual County appropriation for County (non-City) resident library services.

The adopted fiscal year 2012 budget is based upon staff's best estimates of next year's funding levels from both the County and the State. Changes in the level of either of these revenue sources will require corresponding program and expenditure adjustments. Since neither the State nor the County generally adopt a budget prior to the July 1st start of the fiscal year, such adjustments are usually brought before the Council in the fall of each fiscal year.



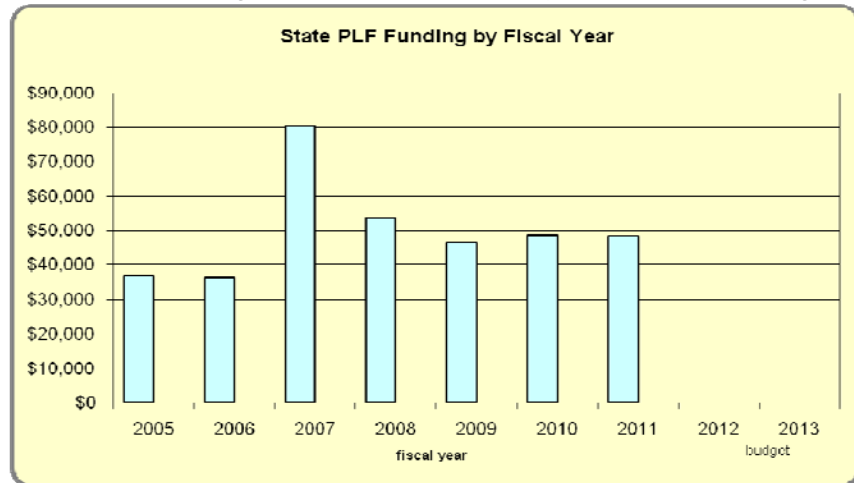
FUND OVERVIEWS

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This County Library System continues to be impacted by reductions in the State Public Library Fund (PLF) funding in recent years. This funding source has been a major source of funding for libraries statewide. The funding was temporarily restored in fiscal year 2007 to \$80,324. Much less than the historical high of \$151,600 in fiscal year 2000, this funding was eliminated in the fiscal year 2012 budget.

The adopted budget also contains the use of approximately \$83,000 in Library gift funds to offset

the continuing impacts of fiscal pressures. The gift funds will be used to supplement funding for the acquisition of collection materials.





FUND OVERVIEWS

Special Revenue Funds

CREEKS RESTORATION & WATER QUALITY IMPROVEMENT (MEASURE B) FUND

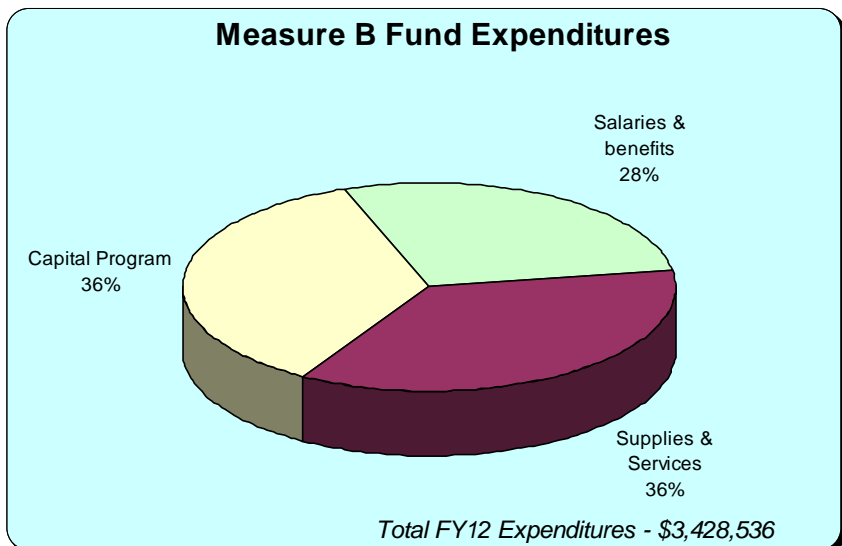
	Fiscal Year				
	2010 Actual	2011 Amended Budget	2011 Projected Actual	2012 Adopted Budget	2013 Proposed Budget
Revenue	\$ 4,652,207	\$ 6,759,887	\$ 5,655,340	\$ 2,794,400	\$ 2,926,400
Operating expenditures	1,534,485	2,263,728	2,088,394	2,203,536	2,348,650
Operating surplus	3,117,722	4,496,159	3,566,946	590,864	577,750
Capital Budget	3,888,864	9,934,848	5,447,973	1,225,000	1,325,000
Net addition to (use of) reserves	\$ (771,142)	\$ (5,438,689)	\$ (1,881,027)	\$ (634,136)	\$ (747,250)

In November 2000, the City's voters overwhelmingly approved Measure B, which increased the City's transient occupancy tax from 10% to 12% effective January 1, 2001. Under the terms of the measure, all proceeds from the additional 2% are restricted for use in the City's Creeks Restoration and Water Quality Improvement Program. In order to meet the intent of the measure, the City opened a Special Revenue Fund (Creeks Fund) to account solely for all revenues and expenditures associated with this program.

The Creeks Restoration and Water Quality Improvement Program is managed by the City's Parks and Recreation Department. Under the direction of the Parks and Recreation Director, the Creeks Restoration and Water Quality Improvement Manager manages the program.

The adopted revenues for fiscal year 2012 are nearly \$2.8 million. Approximately \$156,000 of the budgeted revenue is projected to come from investment income. The balance, just over \$2.6 million, is projected to come from the two-percent transient occupancy tax (TOT). The \$2.6 million TOT estimate for fiscal year 2012 is consistent with the assumptions used to budget the General Fund's TOT. An additional \$634,000 from the Creeks Fund reserves, will fund the fiscal year 2012 Creeks capital program.

The chart on the right displays the expenditure budget by major category. As the chart



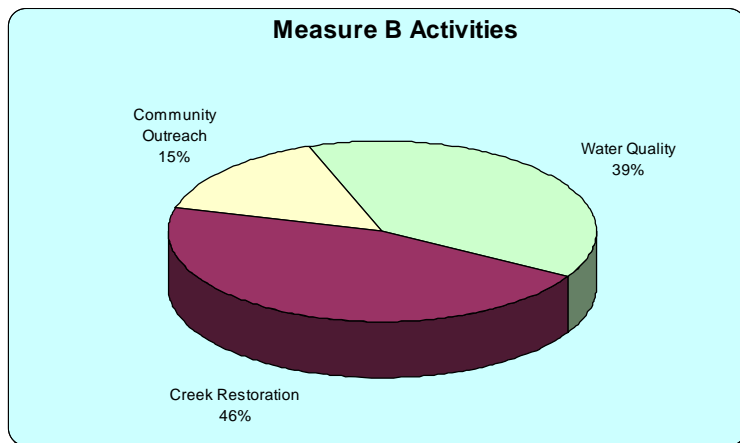


FUND OVERVIEWS

Special Revenue Funds

indicates, 36% of the budget is dedicated to capital (\$1.2 million). Fiscal year 2012 capital projects include low impact development projects (\$150,000), the bacterial reduction program (\$50,000), the Mission Creek fish passage and barrier removal program (\$400,000), Mission Creek restoration at Oak Park (\$100,000), restoration of the Mission Lagoon (\$500,000), and capital replacement funds (\$25,000).

With salary and benefit costs representing only 28% of the operating budget, the Measure B Fund more closely resembles one of the City's Enterprise Funds rather than the General Fund. The chart below displays the adopted budget (operating and capital) by activity. Water Quality activities comprise approximately \$1.3 million (39%) of the budget with specific focus on creek clean-ups (\$115,000), water quality testing (\$70,000), water quality and habitat research (\$55,000), storm water ordinance revisions (\$15,000), maintenance of water quality improvement projects (\$60,000) and residential street sweeping (\$185,979). Two full-time Water Resources Specialist positions provide storm water code enforcement, technical business assistance and storm drain monitoring.



Creeks Restoration activities comprise 46% of the budget and include a full-time Restoration Planner position, maintenance of a native plant nursery, restoration projects on Old Mission Creek at Bohnett Park and the Arroyo Burro Estuary (\$30,000), management of neighborhood creek re-vegetation projects (\$30,000), and management of Mission Creek fish passage projects, an invasive plant removal program, and restoration efforts for

Mission lagoon.

Community Outreach activities comprise approximately \$526,472 (15%) of the budget and include a full-time Outreach Coordinator position, and programs such as youth education (\$60,000), clean water business and neighborhood enrichment (\$40,000), as well as \$125,000 for production and airing of bilingual radio and television educational campaigns and print advertising. The adopted budget also includes public outreach activities through the monthly meetings of the Creeks Advisory Committee, community creek restoration and water quality events, collaborative projects with community organizations and other public agencies, and the development of educational materials.



FUND OVERVIEWS

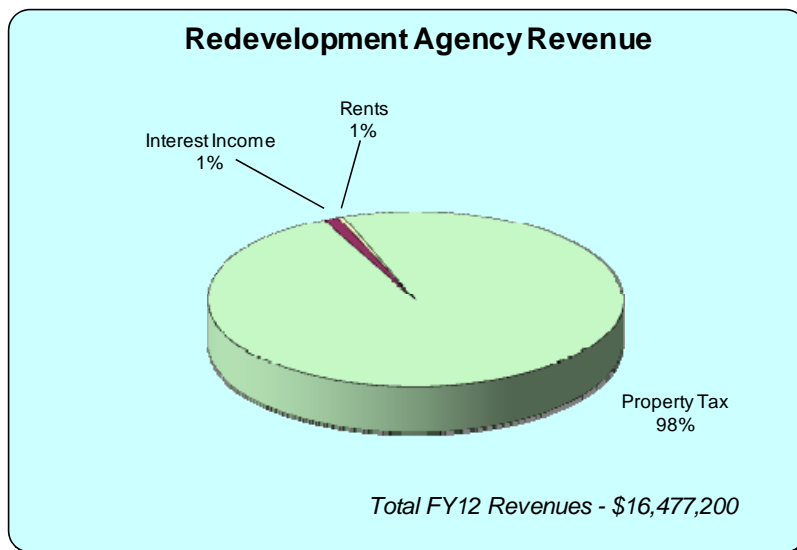
Special Revenue Funds

REDEVELOPMENT AGENCY (GENERAL) FUND

	Fiscal Year				
	2010 Actual	2011 Amended Budget	2011 Projected Actual	2012 Adopted Budget	2013 Proposed Budget
Revenue	\$ 16,925,970	\$ 16,259,000	\$ 16,243,899	\$ 16,477,200	\$ 16,801,300
Operating expenditures	16,986,552	12,734,982	11,253,512	10,343,332	10,376,813
Operating surplus	(60,582)	3,524,018	4,990,387	6,133,868	6,424,487
Capital Budget	8,778,588	33,961,023	9,773,545	6,133,868	6,424,487
Net addition to (use of) reserves	\$ (8,839,170)	\$ (30,437,005)	\$ (4,783,158)	\$ -	\$ -

The adopted fiscal year 2012 Redevelopment Agency (RDA) General Fund budget includes almost \$16.5 million budgeted revenue, \$16.2 million (98%) of which is from the incremental property tax ("tax increment") generated from within the Agency's one project area. Under State law, all redevelopment agencies are required to dedicate a minimum of twenty percent of total tax increment revenue to low and moderate housing programs. The remaining 80% of the tax increment may be used for any legally qualifying redevelopment activity, and represents the \$16.2 million of tax increment budgeted in the RDA General Fund. The twenty percent of tax increment restricted to low and moderate housing programs is budgeted separately in the RDA Housing

Fund. The balance of the RDA General Fund's budgeted revenue is from interest income (\$201,500) and rental income on an Agency-owned property (\$72,000).



The RDA has no staff; the City provides staffing for the Agency and bills the Agency for the costs under a contract between the two legally separate entities. These costs are budgeted by the Agency as contractual services within the "supplies and services" category. As shown in

the chart on the next page, the total supplies and services budget is approximately \$1.7 million (10%). Of that amount, reimbursement to the City for direct administrative and legal services totals approximately \$756,000. In addition, pursuant to the results of the recent City cost allocation plan, the Agency reimburses the General Fund approximately \$580,000 for administrative and management services provided by General Fund administrative divisions (Payroll, Human Resources, Purchasing, etc.).



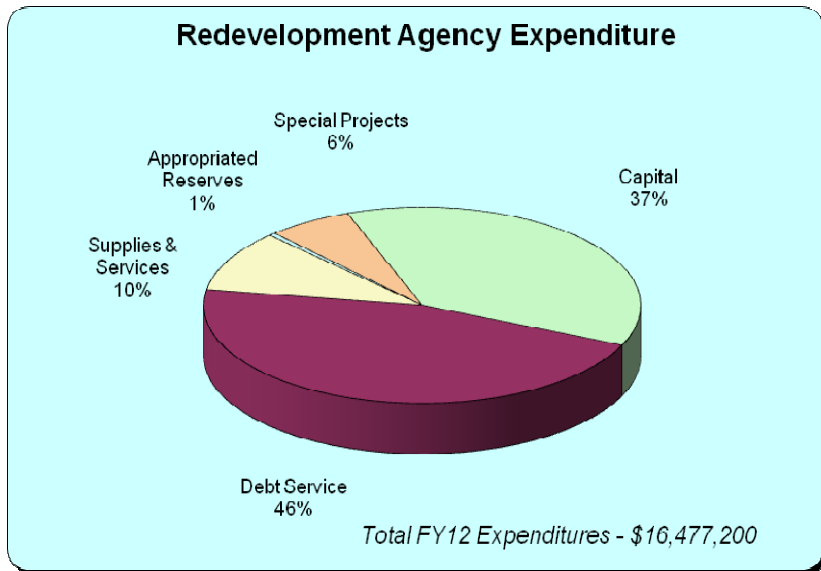
FUND OVERVIEWS

Special Revenue Funds

The fiscal year 2012 budget also includes \$1 million (6%) for special projects. Of this total, \$300,000 is for the annual contribution to the operation of the Downtown and Commuter Lot electric shuttle buses. The contribution is a mitigation measure for the impacts of the downtown improvements financed by the Agency. \$352,000 is also appropriated for the Redevelopment Agency's contribution to a new three-year pilot program to expand

the City's Restorative Policing efforts to address transient-related issues and concerns in the Downtown Redevelopment Project and East Beach areas. The remaining special project appropriations will fund hazardous waste studies and mitigation in the project area, as well as property management costs for Agency-owned properties.

As displayed in the table below, debt service represents over \$7.5 million (46%) of the budget. The RDA has three outstanding tax allocation bonds. In December 2003, the Agency issued what is likely to be its final (non-housing) bond. The Agency's only project area, the Central City Redevelopment Project Area, expires in 2015 and the Agency has already bonded against its projected future tax increment receipts.



Issue	Original Amount	Outstanding at 30-Jun-10	FY 2012 Debt Service	Final Maturity
2001 Tax Allocation Bonds	\$ 38,855,000	\$ 32,625,000	\$ 4,551,165	3/1/2019
2003 Tax Allocation Bonds	34,810,000	21,370,000	\$ 2,961,455	3/1/2019
2004 Tax Allocation Bonds	7,150,000	4,885,000	\$ 632,840	7/1/2019
Totals	\$ 80,815,000	\$ 58,880,000	\$ 8,145,460	

Budgeted capital for fiscal year 2012 is over \$6.1 million (37%), of which nearly \$5.8 million will be used solely as contingency funding for cost overruns on existing RDA capital projects. The entire \$5.8 million will come from fiscal year 2012 property tax revenues.



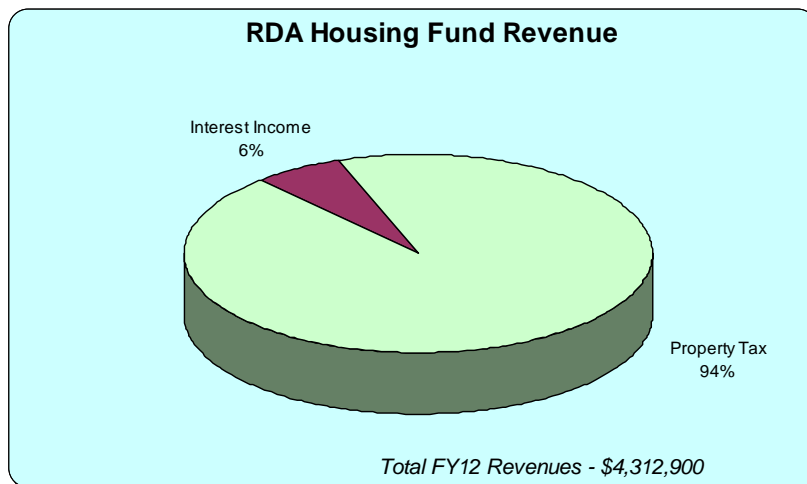
FUND OVERVIEWS

Special Revenue Funds

REDEVELOPMENT AGENCY HOUSING FUND

	Fiscal Year				
	2010 Actual	2011 Amended Budget	2011 Projected Actual	2012 Adopted Budget	2013 Proposed Budget
Revenue	\$ 4,424,156	\$ 4,277,800	\$ 4,353,100	\$ 4,312,900	\$ 4,394,000
Operating expenditures	4,161,012	8,798,738	4,720,411	4,312,900	4,394,000
Net addition to (use of) reserves	\$ 263,144	\$ (4,520,938)	\$ (367,311)	\$ -	\$ -

The adopted fiscal year 2012 Redevelopment Agency (RDA) Housing Fund budget includes approximately \$4.3 million in estimated revenue, and an operating budget of approximately \$4.3 million. Of the \$4.3 million budgeted revenue, \$4.1 million (94%) is from the incremental property tax ("tax increment") generated from within the Agency's one project area. Under State law, all redevelopment agencies are required to dedicate a minimum of twenty percent of total tax increment revenue to low and moderate housing programs. The remaining 80% of the tax increment may be used for any legally qualifying redevelopment activity. The \$4.1 million of tax increment budgeted in the RDA Housing Fund meets the twenty percent state requirement.



The balance of the RDA Housing Fund's budgeted revenue is interest income on investments (\$60,000) and on housing loans (\$200,000). As of June 30, 2010, the Housing Fund had approximately \$43 million of outstanding low and moderate-income housing loans.

The chart on the next page summarizes the Housing Fund's expenditures. The Housing Fund has no staff. Under a contract between the two legally separate entities, the City provides staffing for the Agency's Housing Fund and bills the Agency for the costs. These costs are budgeted in the Housing Fund as contractual services within the "supplies and services" category. The total supplies and services budget is approximately \$4.2 million (98%). Of that amount, reimbursement to the City for direct administrative and legal services totals approximately \$645,000. In addition, pursuant to the results of the recent City cost allocation plan, the Agency Housing Fund reimburses the General Fund approximately \$111,000 for administrative and management

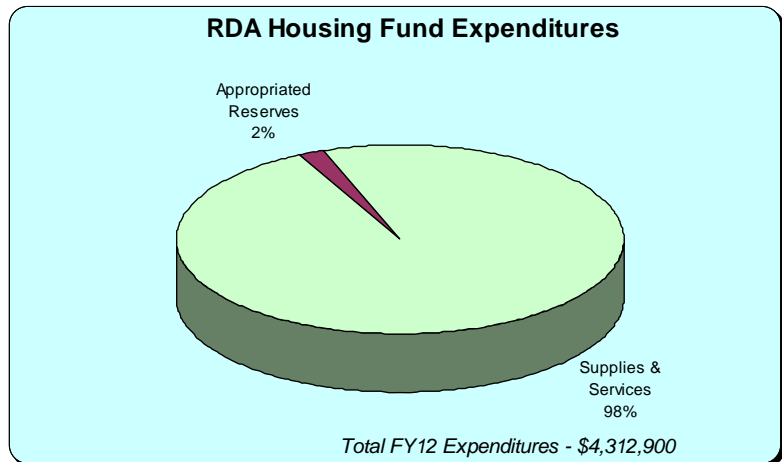


FUND OVERVIEWS

Special Revenue Funds

services provided by General Fund personnel (purchasing, accounting, auditing, etc.). An appropriated reserve is also budgeted at \$80,000.

In the form of housing grants and loans, the Redevelopment Agency's Housing Fund continues to direct significant resources towards what many consider to be the most pressing need facing the Santa Barbara area - developing and maintaining affordable housing.





FUND OVERVIEWS

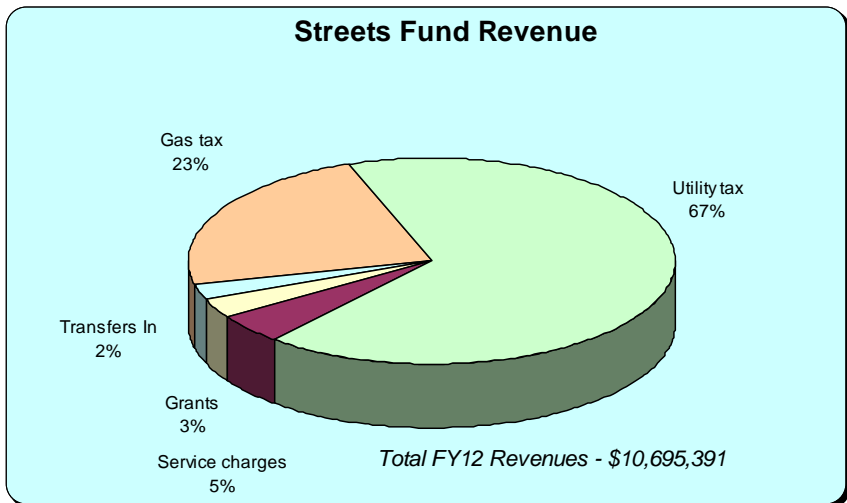
Special Revenue Funds

STREETS FUND

	Fiscal Year				
	2010 Actual	2011 Amended Budget	2011 Projected Actual	2012 Adopted Budget	2013 Proposed Budget
Revenue	\$ 12,601,549	\$ 29,379,330	\$ 22,179,115	\$ 10,695,391	\$ 10,516,464
Operating expenditures	6,902,690	7,576,138	7,036,543	7,499,806	7,707,684
Operating surplus	5,698,859	21,803,192	15,142,572	3,195,585	2,808,780
Capital Budget	9,109,320	25,325,871	16,506,647	3,195,585	2,808,780
Net addition to (use of) reserves	\$ (3,410,461)	\$ (3,522,679)	\$ (1,364,075)	\$ -	\$ -

The Streets Fund accounts for all City-funded streets operations, maintenance and capital. Until fiscal year 2004, the Streets Fund was strictly a capital fund used to budget and account for streets capital projects. Prior to that time, all City-funded streets operations and maintenance activities were budgeted in the General Fund. However, because the streets operations and maintenance activities are funded almost entirely from restricted revenue, beginning with fiscal year 2004 they were moved out of the General Fund and into the Streets Fund.

The chart to the right summarizes the Streets Fund revenue sources. The single largest revenue source is utility users' tax (\$7.1 million). As required by City ordinance, fifty percent of the City's 5.75%, utility users' tax revenue is restricted to use for streets operations, maintenance, and capital. Gas tax (\$2.5 million) is the other significant revenue source. The gas tax revenue received by the City is a portion of the



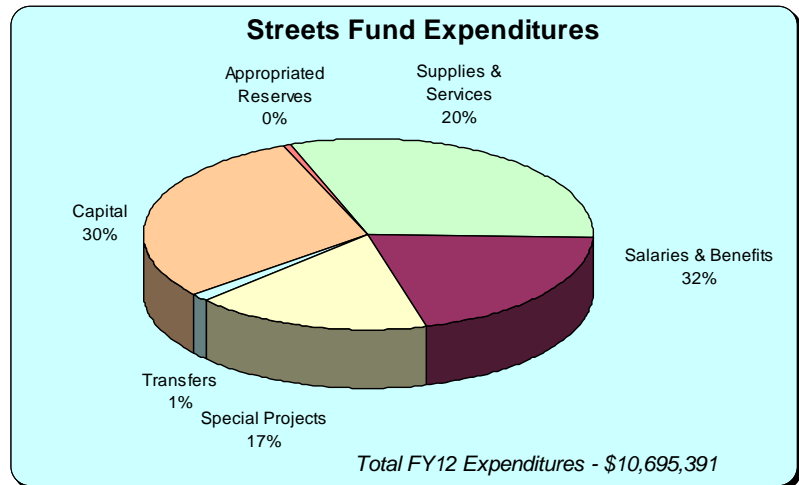
state's 18 cents per gallon tax on fuel used to propel a motor vehicle or aircraft. Article XIX of the California Constitution restricts the use of gas tax revenue to research, planning, construction, improvement, maintenance, and operation of public streets and highways or public mass transit. The funds are distributed by the state on a per capita basis, and each year, the City is audited by the State Controller's Office to ensure that the funds are used in accordance with state law. The Streets Fund is also projecting the receipt of almost \$340,000 in state grants.



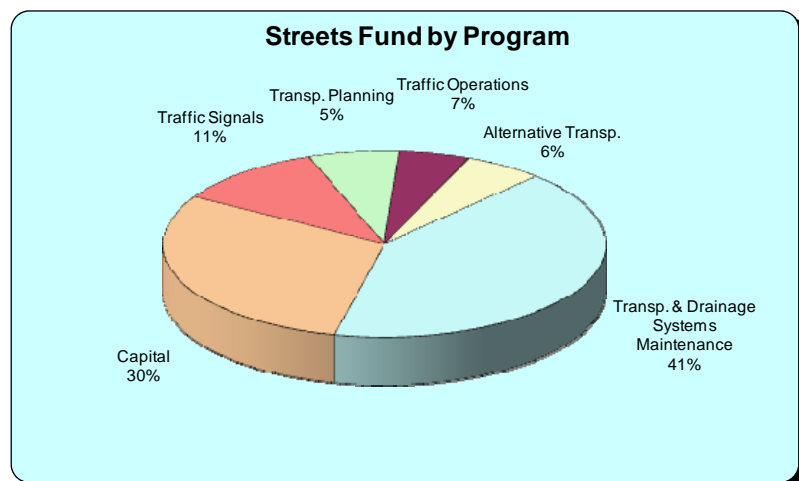
FUND OVERVIEWS

Special Revenue Funds

The chart to the right summarizes the Street Fund expenditures by object. In addition to the capital projects funded primarily from grants, the Streets capital program of \$2.7 million includes \$2.2 million for the annual streets resurfacing program and \$150,000 for the annual traffic safety and capacity improvement program which replaces streetlights and signage and improves safety of intersections in the City.



The chart to the right summarizes the Streets Fund expenditure budget by program activity. Besides capital, the largest activity is the Transportation and Drainage Systems Maintenance (\$4.4 million). This activity includes maintenance and repair of streets, sidewalks, storm drains, traffic signage and markings and other infrastructure within the public right-of-way.





FUND OVERVIEWS

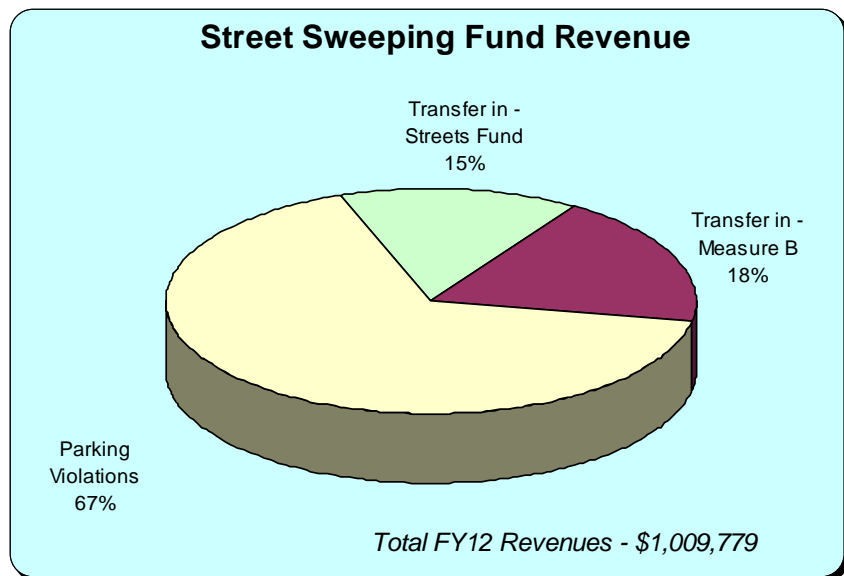
Special Revenue Funds

	Fiscal Year				
	2010 Actual	2011 Amended Budget	2011 Projected Actual	2012 Adopted Budget	2013 Proposed Budget
Total Revenue	\$ 1,041,822	\$ 1,141,372	\$ 982,762	\$ 1,009,779	\$ 1,015,358
Operating expenditures	1,187,279	1,186,172	1,155,235	1,045,552	1,068,150
Net addition to (use of) reserves	\$ (145,457)	\$ (44,800)	\$ (172,473)	\$ (35,773)	\$ (52,792)

STREET SWEEPING FUND

The Street Sweeping Fund was first established in fiscal year 2005. It consolidates all of the City's street sweeping operations into one dedicated fund. The City's street sweeping operation was previously accounted for in the Streets Fund.

As displayed in the chart to the right, there are two sources of street sweeping revenue. The largest revenue source is parking violations (\$673,800). Parking tickets are issued to vehicles that are not moved off the streets during posted street sweeping times. The police department's parking enforcement officers issue an average of 550 parking citations each week in support of the program. Revenue generated from these parking citations is returned to the Street Sweeping Fund. The balance of revenue is transferred from other City funds. The transfers are from the Streets Fund (\$150,000) and the Creeks Restoration/Water Quality ("Measure B") Fund (\$185,979). The Measure B contribution is used to fund a portion of the expanded residential street sweeping program.



In fiscal year 2000, the City's street sweeping program was limited to the downtown commercial area. In October 2001, the residential street sweeping program began as a pilot program on the Westside and was expanded to the Eastside on October 2003. In October 2004, expansion continued to the Upper Eastside, Westside, West Beach and Samarkand areas, and in October 2006, street sweeping began in the Braemar, Sea Ranch, Alan Road, Hidden Valley and Lower and East Mesa areas. In fiscal year 2009 the Bel Air and the Upper Mesa areas were added to the program and in fiscal year 2010, the City completed the final sweeping program expansion into



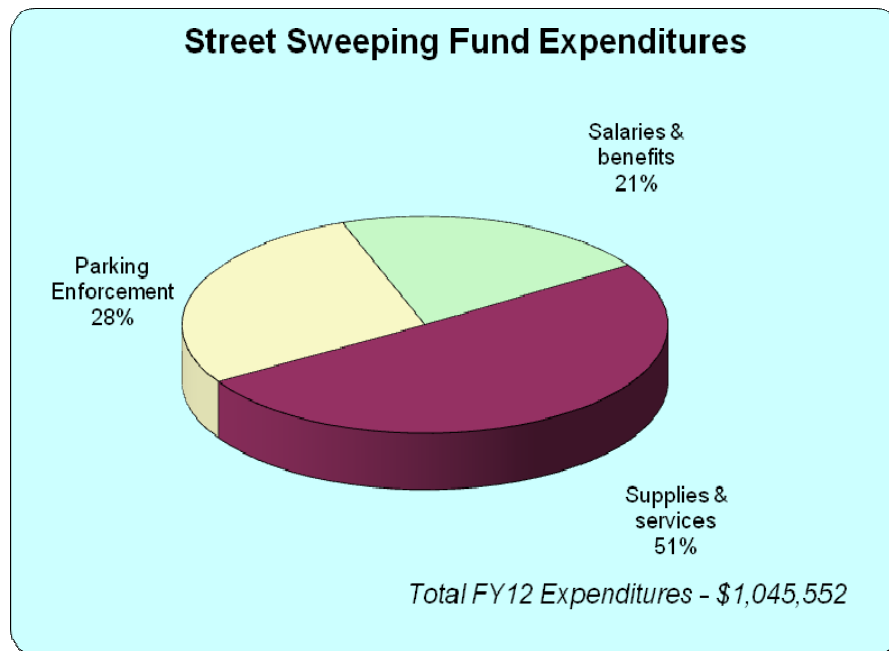
FUND OVERVIEWS

Special Revenue Funds

the San Roque area. Approximately 80% of the City's streets are now swept on a regular schedule.

The remaining 20% of the City is excluded from the street sweeping program, because in the remaining Riviera and Foothill areas, roads are steep and narrow, there are no curbs or areas pose a risk to the street sweeping vehicles.

The chart to left summarizes the fund's expenditures. Salaries and benefits constitute 21% of the fund's total budget.



Currently, street sweeping is handled through a combination of contract and in-house resources. The supplies and services category includes funds for the contract sweeping portion of the program (\$381,305). The other expenditure category is for parking enforcement. Approximately \$295,000 is reimbursed to the City's Police Department (General Fund) for the costs of enforcing the street sweeping-related

parking restrictions. With anticipated parking citation revenue of \$673,800, the net use of reserves in the Street Sweeping Fund in fiscal year 2012 will be approximately \$36,000.



FUND OVERVIEWS

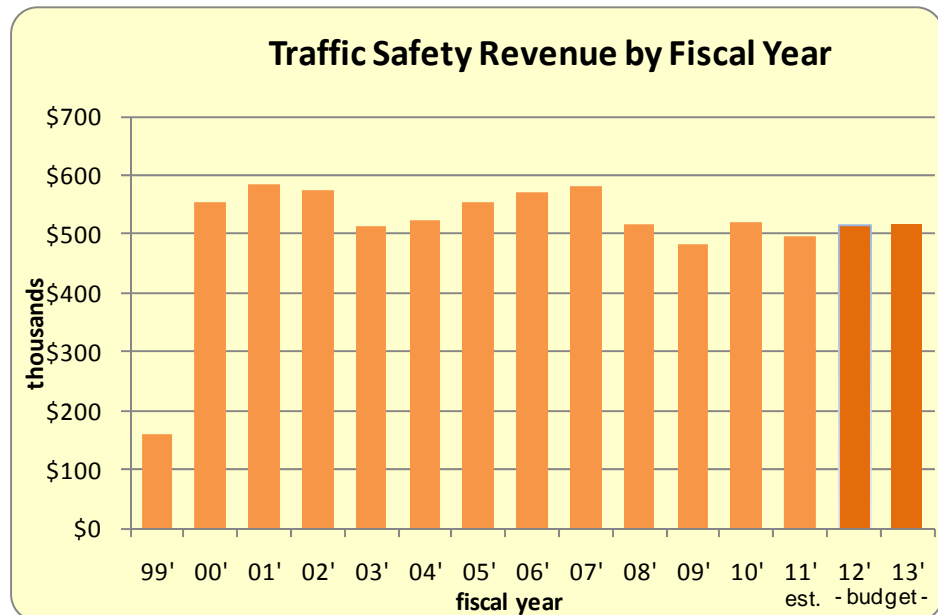
Special Revenue Funds

TRAFFIC SAFETY FUND

	Fiscal Year				
	2010 Actual	2011 Amended Budget	2011 Projected Actual	2012 Adopted Budget	2013 Proposed Budget
Total Revenue	\$ 519,543	\$ 470,000	\$ 495,500	\$ 515,000	\$ 515,000
Operating expenditures	519,543	470,000	495,500	515,000	515,000
Total Expenditures	519,543	470,000	495,500	515,000	515,000
Net addition to (use of) reserves	\$ -	\$ -	\$ -	\$ -	\$ -

Pursuant to state law, the City must deposit all fines and forfeitures received as a result of citations issued by City police officers for Vehicle Code violations into a special "Traffic Safety Fund." These funds may be used solely for traffic control devices, maintenance of equipment and supplies for traffic law enforcement, traffic accident prevention, the maintenance, improvement or construction of public streets, bridges or culverts, and the compensation of school crossing guards who are not regular, full-time employees of the City's Police Department. The County pays these funds to the City. After being recorded in the City's Traffic Safety Fund as required by law, virtually the entire amount received is transferred to the General Fund and is expended by the Police Department for traffic law enforcement and school crossing guards. The small amount of operating expenditures recorded within the Traffic Safety Fund (\$35,000) is payment for blood testing on individuals suspected of driving while intoxicated.

As the chart indicates, there was a substantial increase in the City's Traffic Safety revenue in fiscal year 2000. Effective with fiscal year 1999, State legislation changed the Vehicle Code to allocate to cities fees paid for "court supervised programs" (i.e., traffic schools) in lieu of base fines. The City began receiving this



additional revenue in fiscal year 2000. Since this change in State law, the amounts received by the City have been fairly stable at around \$500,000 or more. The fiscal year 2012 estimate is \$515,000.



FUND OVERVIEWS

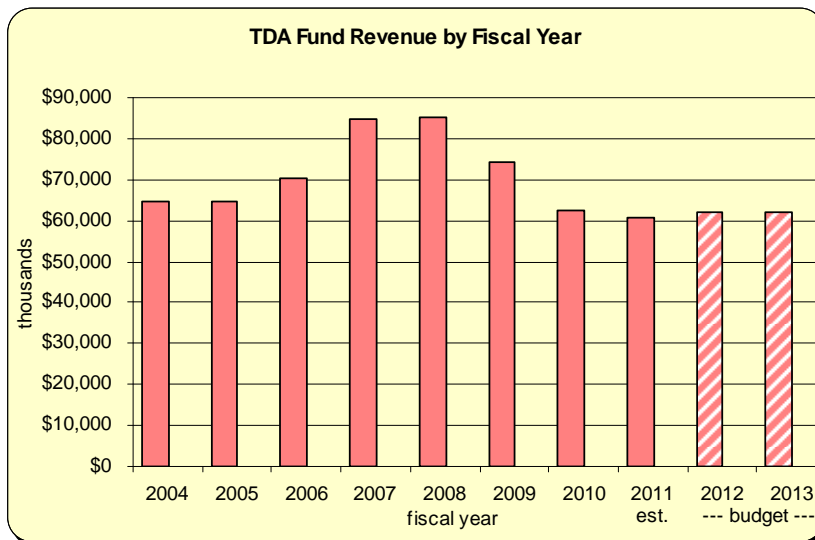
Special Revenue Funds

TRANSPORTATION DEVELOPMENT FUND

	Fiscal Year				
	2010 Actual	2011 Amended Budget	2011 Projected Actual	2012 Adopted Budget	2013 Proposed Budget
Revenue	\$ 62,320	\$ 62,108	\$ 60,564	\$ 62,084	\$ 62,084
Capital expenditures	165,656	222,521	222,521	62,084	62,084
Net addition to (use of) reserves	\$ (103,336)	\$ (160,413)	\$ (161,957)	\$ -	\$ -

The Transportation Development Act of 1971 established a local 0.25% gasoline sales tax designated for countywide transportation purposes. The City's share of funds, disbursed by the County, is restricted for capital expenditures in support of alternative transportation, including sidewalks and bikeways. Each year, the City receives approximately \$62,000 of TDA revenues. This revenue along with annual interest income earned on accumulated balances is appropriated each year to the Street Capital Program.

Because of the relatively small amount of TDA revenue received annually, the proceeds are often accumulated over multiple years in order to fund specific projects. For example, in fiscal year 2011, the amended budget for the TDA fund included the use of \$220,000 of accumulated prior



year balances for the Streets Capital Program. That balance represented over two years of accumulated TDA revenues. In fiscal year 2012, the TDA revenue is fully appropriated in the Sidewalk In-Fill Program.

As the chart to the left indicates, the fund's revenue dipped a few times over the last 10 years due to reduced interest earnings because of economic declines. However, TDA funding itself has remained relatively constant

since 2002, averaging approximately \$63,500 per year. In fiscal year 2012, \$56,484 is budgeted, with the balance of revenue (\$5,600) attributable to interest income.



FUND OVERVIEWS

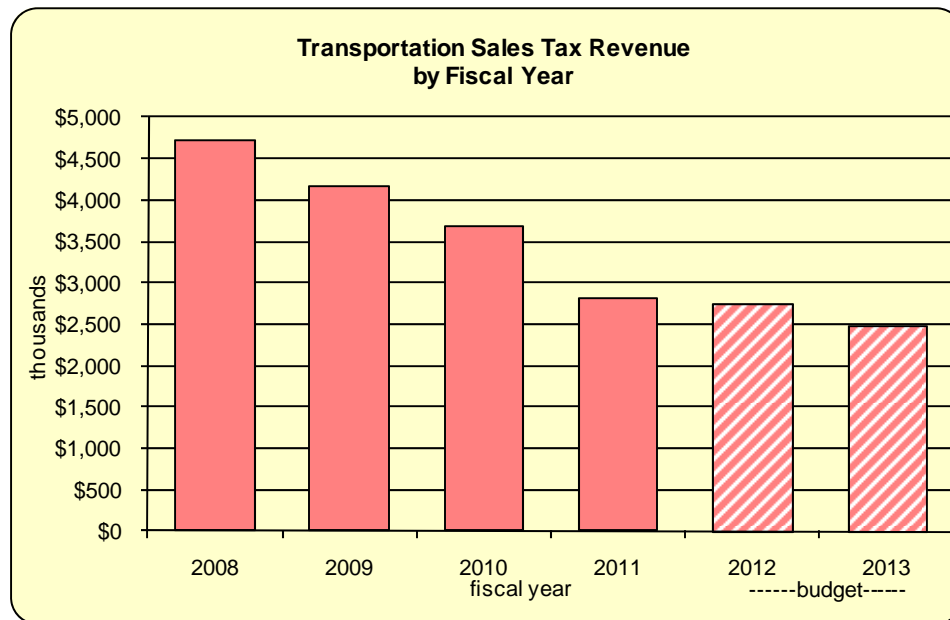
Special Revenue Funds

TRANSPORTATION SALES TAX (MEASURE A) FUND

	Fiscal Year				
	2010 Actual	2011 Amended Budget	2011 Projected Actual	2012 Adopted Budget	2013 Proposed Budget
Revenues					
Transportation sales tax	\$ 3,692,441	\$ 2,790,259	\$ 2,818,162	\$ 2,761,034	\$ 2,484,762
Interest income	114,870	92,500	3,184	13,000	13,000
Total revenue	3,807,311	2,882,759	2,821,346	2,774,034	2,497,762
Operating expenditure	3,312,411	2,891,323	2,216,655	2,349,603	2,417,931
Operating surplus	494,900	(8,564)	604,691	424,431	79,831
Capital budget	639,746	4,371,195	3,323,952	424,431	79,831
Net addition to (use of) reserves	\$ (144,846)	\$ (4,379,759)	\$ (2,719,261)	\$ -	\$ -

The Transportation Sales Tax fund is also known as the “Measure A” Fund after the designation of the ballot proposition approved by Santa Barbara County voters in November 2008. The ballot measure extended a twenty-year, one-half cent sales tax, the proceeds of which are restricted for use in the City’s streets and transportation programs. The revenue generated by this tax is subject to an annual “maintenance of effort” requirement to ensure that the proceeds of the sales tax will be used to supplement - not supplant - the City’s existing streets programs. For any year in which the City fails to maintain its discretionary Streets program (operating and capital) at or above the base year (fiscal 1987) level of \$2.7 million, the City is not entitled to the Measure A revenues. The City is audited each year to verify that the maintenance of effort has been met.

The adopted fiscal year 2012 estimated revenues of nearly \$2.8 million are adequate to cover operating costs and the \$424,000 capital budget. Due to the recent downturn in the economy and



associated reduced Measure A sales tax revenue, revenues continue to be significantly lower, compared to a few years earlier, because of lower sales tax receipts and allocation adjustments.

Revenue estimates, and therefore the budget, are based upon an estimate provided by the Santa Barbara



FUND OVERVIEWS

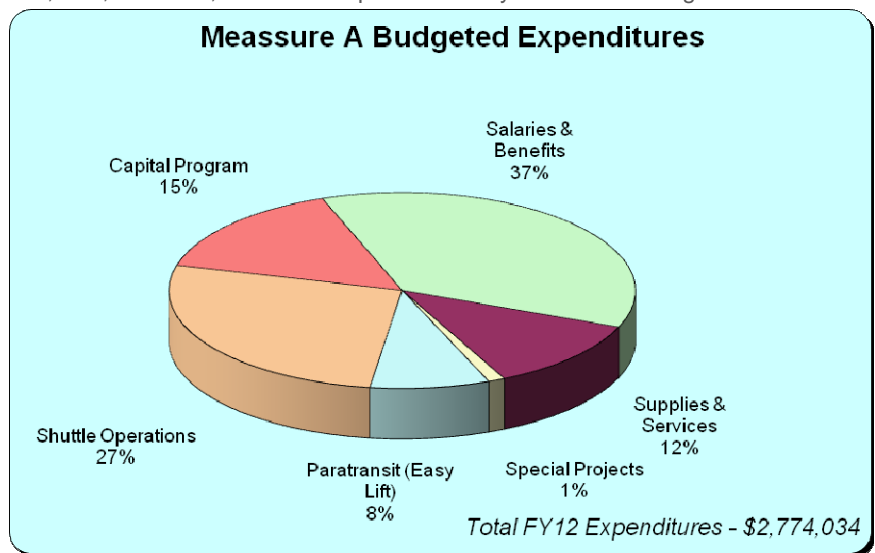
Special Revenue Funds

County Association of Governments (SBCAG). SBCAG is the agency that oversees the Measure A program on a countywide basis.

The Measure A Fund budget is developed based upon annual and five-year program of projects that is prepared by the City and submitted to SBCAG for approval. The adopted fiscal year 2012 budget is consistent with those plans.

As mentioned earlier, over \$424,000, or 15%, of the adopted fiscal year 2012 budget is dedicated

to the Streets Capital Program, including \$124,000 for the streets resurfacing program, \$250,000 for sidewalk repairs and infill, and \$50,000 for sidewalk access ramps. The budget also includes almost \$747,000 (27%) for the Downtown and Crosstown Shuttle programs and almost \$230,000 (8%) for a grant to EasyLift for paratransit services. The



balance of the budget, approximately \$1.4 million supports street maintenance activities.

With an adopted fiscal year 2012 budget totaling almost \$2.8 million, Measure A has been, and continues to be, a critical component of the City's street operations and capital programs.



FUND OVERVIEWS

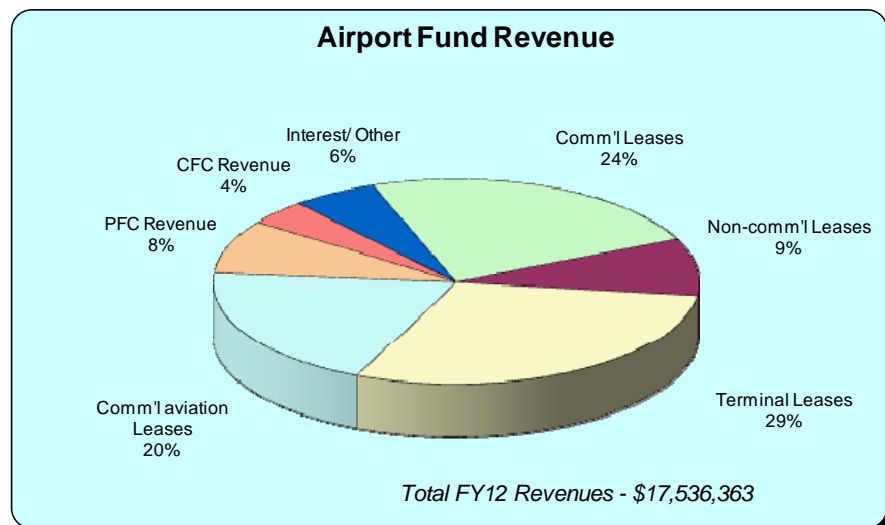
Enterprise Funds

AIRPORT FUND

	Fiscal Year				
	2010 Actual	2011 Amended Budget	2011 Projected Actual	2012 Adopted Budget	2013 Proposed Budget
Operating Budget					
Revenue	\$ 15,155,836	\$ 15,367,062	\$ 15,454,651	\$ 17,536,363	\$ 17,633,917
Expenses	12,057,802	13,489,880	12,978,758	16,542,352	17,610,810
Operating surplus	\$ 3,098,034	\$ 1,877,182	\$ 2,475,893	\$ 994,011	\$ 23,107
Capital budget					
FAA grants	\$ 4,060,642	\$ 13,621,685	\$ 2,843,215	\$ -	\$ -
Capital expenses	19,405,726	45,374,204	20,081,939	1,250,000	350,000
Net addition to (use of) reserves	\$ (12,247,050)	\$ (29,875,337)	\$ (14,762,831)	\$ (255,989)	\$ (326,893)

The adopted fiscal year 2012 Airport Fund budget reflects an operating budget of \$16.5 million and a capital program of \$1.3 million.

The chart on the right displays total fiscal 2012 operating and capital revenues as contained in the adopted budget. As the chart indicates, virtually all of the Airport's operating revenue is derived from leases at Airport-owned commercial, non-commercial and aviation-related properties. Lease revenue comprises 94% of operating revenue and 82% of total Airport revenues.



Capital-related revenues are expected to total almost \$2.2 million. Of this total, \$1.5 million is expected in PFC revenue. With the approval of the FAA, on January 1, 1998, the Airport began to levy and collect a \$3 PFC. Again with FAA approval, on November 1, 2003, the Airport's PFC was raised to \$4. The PFC is a fee per airline passenger ticket with the proceeds restricted by federal law to FAA-approved capital improvements. It is estimated that the PFC will generate approximately \$1.4 million in fiscal year 2012, all of which will be used for debt service related to the airline terminal expansion capital project.

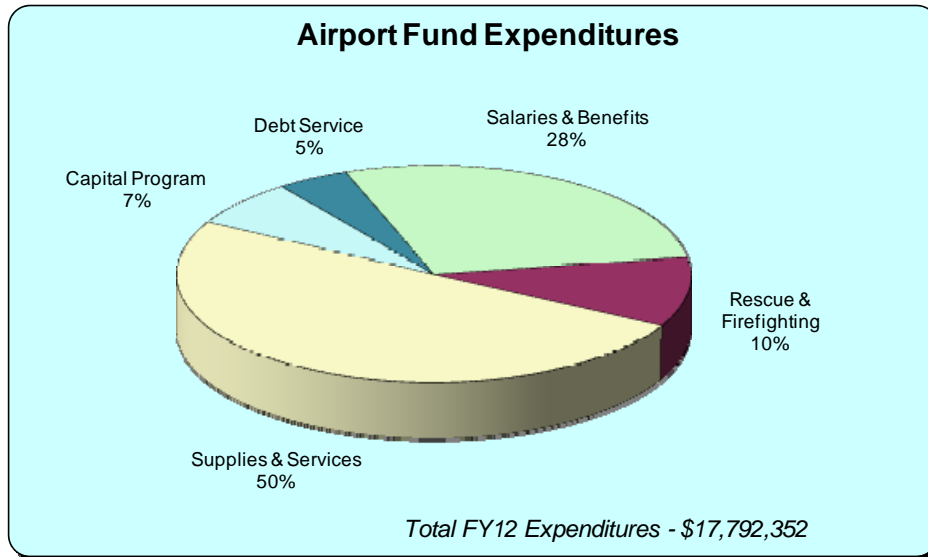
Customer facility charges (CFCs) are expected to generate \$700,000 in revenue in fiscal year 2012 and are another source of capital-related funding. Customer facility charges, charged at a rate of \$10 per rental car contract, is funding construction of a vehicle storage and light maintenance facility for the rental car companies.



FUND OVERVIEWS

Enterprise Funds

The chart below displays expenses in the adopted fiscal year 2012 Airport Fund budget by category. Supplies and services represent 50% of the budget and salaries and benefits comprise 28% of the total budget. The cost of Airport Rescue and Firefighting (ARFF) services represents 10% of the budget. ARFF services are provided to the Airport by the City's Fire Department with the Airport Fund reimbursing the City's General Fund for these services. For fiscal year 2012, the Airport Fund budget contains \$1.8 million for this FAA-required service.



reimbursing the City's General Fund for these services. For fiscal year 2012, the Airport Fund budget contains \$1.8 million for this FAA-required service.



FUND OVERVIEWS

Enterprise Funds

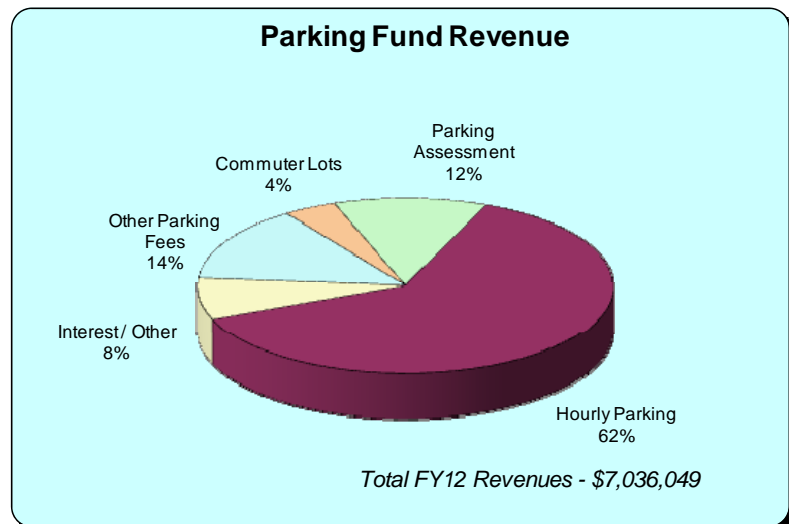
DOWNTOWN PARKING FUND

	Fiscal Year				
	2010 Actual	2011 Amended Budget	2011 Projected Actual	2012 Adopted Budget	2013 Proposed Budget
Revenue	\$ 6,920,129	\$ 6,689,440	\$ 6,698,270	\$ 7,036,049	\$ 6,725,691
Operating expenditures	6,038,523	6,731,283	5,843,569	6,499,134	6,741,879
Operating surplus	881,606	(41,843)	854,701	536,915	(16,188)
Capital budget	1,213,049	2,052,374	935,330	1,000,000	1,065,000
Net addition to (use of) reserves	\$ (331,443)	\$ (2,094,217)	\$ (80,629)	\$ (463,085)	\$ (1,081,188)

The adopted fiscal year 2012 Parking Fund operating budget is \$6.5 million with a capital program of \$1 million. The budget relies on \$463,085 of reserves to fund a portion of the capital program.

As the chart below indicates, the various parking user fees provide the bulk of the Parking Fund revenue. Combined, these fees totaling approximately \$5.7 million represent 80% of total revenue. Hourly parking revenues are estimated at \$4.4 million for fiscal year 2012 and there are no increases to hourly parking rates. The last rate increase took effect in January 2006 and was implemented in order to fund a number of capital improvements over several years to address the Fund's aging facilities and structures and to generate an additional \$500,000 each year to build up the Fund's capital reserves. Due to the downturn in the economy this additional revenue has not been realized. Increases to the Parking Funds permit programs went into effect in July 2009 and July 2011 for the Monthly and Commuter lots and in January of 2010 for the Residential Permit Program.

The commercial parking assessment (PBIA) paid by downtown businesses supports a portion of the costs to maintain the parking lots as well as staffing costs for the hourly employees. The PBIA is budgeted to provide \$840,000 (12%) of total revenues. Other major Parking Fund revenues include a rebate of unused workers compensation insurance premiums (\$310,000), investment income (\$138,000), General Fund support for the New Beginnings Counseling Center (\$43,500), and rental income (\$41,000), which together comprise 8% of total revenue.





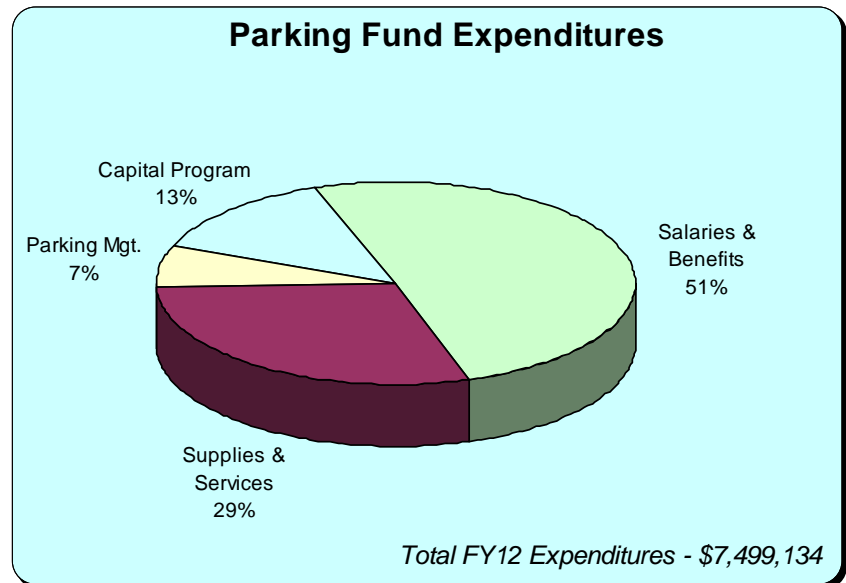
FUND OVERVIEWS

Enterprise Funds

As the chart below indicates, the largest segment of the Parking Fund's expense budget is salaries and benefits (51%). Approximately 43% (\$1.6 million) of the total \$3.8 million in salaries and benefits is for hourly wages paid to staff the City's various lots.

Several years ago, the, Parking Management Program was added to the Parking Fund. The Parking Management Program is intended to reduce the demand for commuter parking in the downtown area by encouraging the use of alternative transportation. The adopted budget provides over \$350,000 to help increase enhanced transit to the downtown core from the Metropolitan Transit District.

The adopted capital program of \$1 million includes several projects, including annual repairs and maintenance to parking facilities, resurfacing needed parking lots and elevator modernizations.





FUND OVERVIEWS

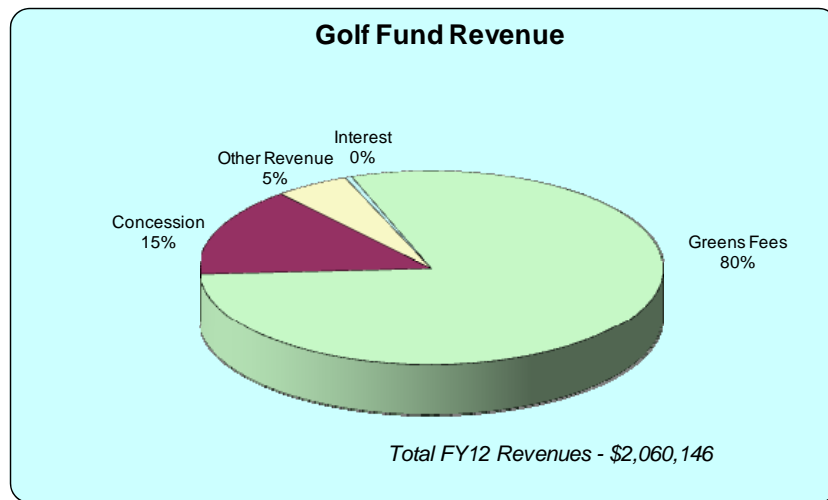
Enterprise Funds

GOLF FUND

	Fiscal Year				
	2010 Actual	2011 Amended Budget	2011 Projected Actual	2012 Adopted Budget	2013 Proposed Budget
Revenue	\$ 1,743,494	\$ 2,049,194	\$ 1,913,445	\$ 2,060,146	\$ 2,136,017
Operating expenditures	1,790,509	1,990,811	1,856,419	1,990,146	2,061,017
Operating surplus	(47,015)	58,383	57,026	70,000	75,000
Capital Budget	483,153	158,061	82,240	70,000	75,000
Net addition to (use of) reserves	\$ (530,168)	\$ (99,678)	\$ (25,214)	\$ -	\$ -

The Golf Fund adopted fiscal year 2012 budget contains operating revenue sufficient to support a nearly \$2 million operating budget and a planned capital program of \$70,000. Operating revenue in the adopted budget reflects 0.5% growth over the fiscal year 2011 amended budget due to a one-time rebate of \$103,000 of unused workers compensation insurance premiums. Excluding the

rebate, the operating revenue reflects a decline of 4.5% due to economic declines.



Greens fees of various types comprise 80% (\$1.6 million) of the revenue budget. The Golf Fund's fee structure currently offers discounts to residents of Santa Barbara and Ventura counties. Residents may purchase a resident card for a nominal \$25 annual fee. The card entitles the holder to

discounts of \$11 per round. Additional rewards program benefits are also available.

Revenue from concession agreements with the golf professional and the clubhouse restaurant comprise 15% of the fund's revenue. Revenue from these agreements is budgeted flat at \$300,000. Golf Fund staff perform all course maintenance, but the golf professional provides management of course play, golf lessons, and operation of the pro shop under an agreement with the City. Food services are provided by a separate concession agreement. Budgeted revenues also include a nominal amount of interest income (\$10,000).

Expenses in the adopted budget, including capital, total just over \$2 million. The chart below summarizes the distribution of expenses. Salaries and benefits comprise 54% of the budget. Other than personnel costs, water is the Fund's single largest cost (\$170,000). In terms of acre-feet consumed, the golf course is one of the largest water customers in the City's municipal water system.



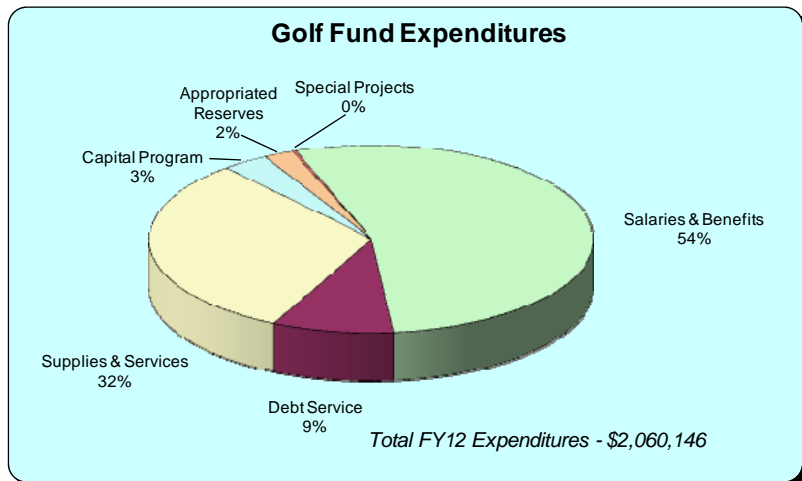
FUND OVERVIEWS

Enterprise Funds

The capital program of \$70,000 includes the purchase of replacement power turf equipment.

Debt service, at just over \$230,000, consists of principal and interest on the Golf Fund's share of the 2002 Municipal Refunding Certificates of Participation (COP). The 2002 certificates were issued to refund certificates originally sold in 1986 and previously refunded in 1993. The original proceeds were

used to expand and renovate the clubhouse and to install a new irrigation system for the entire course. The 2002 refunding lowered the Fund's annual debt service by approximately \$15,000. The current outstanding principal balance is approximately \$1.2 million. Final maturity of the certificates is in 2017.





FUND OVERVIEWS

Enterprise Funds

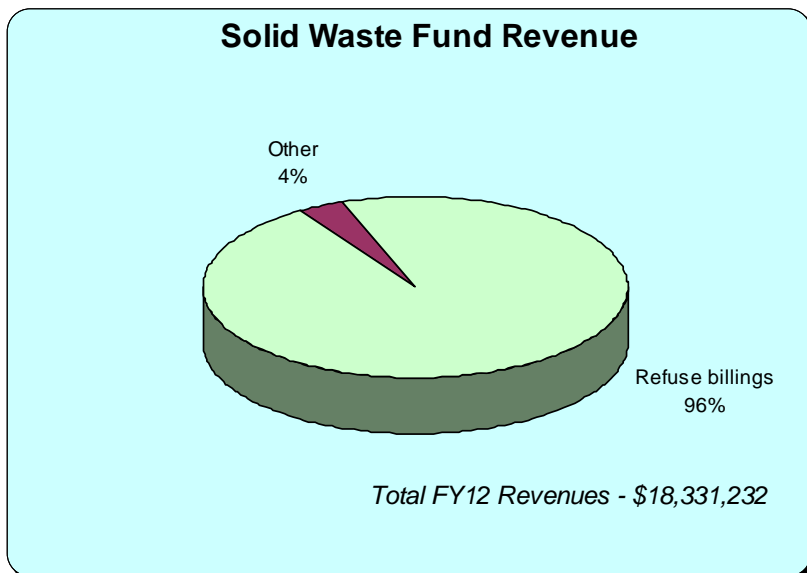
SOLID WASTE FUND

	Fiscal Year				
	2010 Actual	2011 Amended Budget	2011 Projected Actual	2012 Adopted Budget	2013 Proposed Budget
Revenue	\$ 17,790,808	\$ 17,512,032	\$ 17,387,340	\$ 18,331,232	\$ 18,803,966
Operating expenditures	18,141,997	19,316,716	19,258,152	18,331,232	18,817,359
Net addition to (use of) reserves	\$ (351,189)	\$ (1,804,684)	\$ (1,870,812)	\$ -	\$ (13,393)

The City's Solid Waste Fund was first established in fiscal year 2003. Prior to that time, solid waste activities were accounted for within the General Fund. Given the importance of the City's solid waste activities and the increasing and dedicated revenue sources supporting the solid waste activities, a separate fund was created with the adoption of the fiscal year 2003 budget. During the first three years of this new fund, billings to City customers for residential trash service (billed and collected by the City's Finance department) continued to be accounted for in a separate trust fund for benefit of the two contract refuse haulers. However, beginning in fiscal year 2006, the refuse billing revenue was recorded in and paid out to the contract haulers directly from the Solid Waste Fund, thus more accurately reflecting the true magnitude of the City's solid waste operations and accounting for the growth of this fund since its inception.

Funding for solid waste activities comes from several sources. The chart to the right details the estimated solid waste revenue for fiscal year 2012. The largest source of revenue is refuse billings revenue category. The refuse billings category includes trash collection fees (\$16,307,273), fees for County solid waste activities (\$544,892), a surcharge for ongoing maintenance costs at Elings Park Landfill (\$149,075), and a recycling fee (\$672,706),

generated from a 4% fee included in the trash collection rates. The balance of the revenue, as shown in other revenue, is from grants (\$20,000), County recycling revenue sharing (\$376,000), and donations and public education funding from the contracted trash haulers (\$236,600). The donations are used for the Looking Good Santa Barbara program, dedicated to assisting the City with recycling outreach, beautification, and graffiti abatement activities.

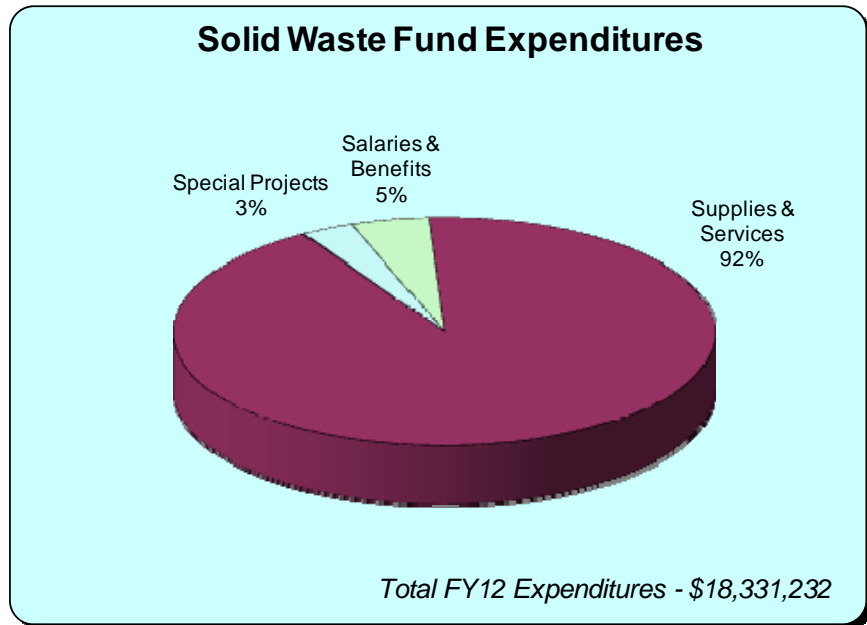




FUND OVERVIEWS

Enterprise Funds

The chart to the right summarizes the adopted budget by object of expenditure. Included in the adopted budget is \$542,012 that will be used for special projects to further enhance the City's solid waste diversion efforts. As indicated in the chart, 92% of the budget is supplies and services, which includes the \$16 million in trash collection billings collected by the City and then paid to the contract haulers.





FUND OVERVIEWS

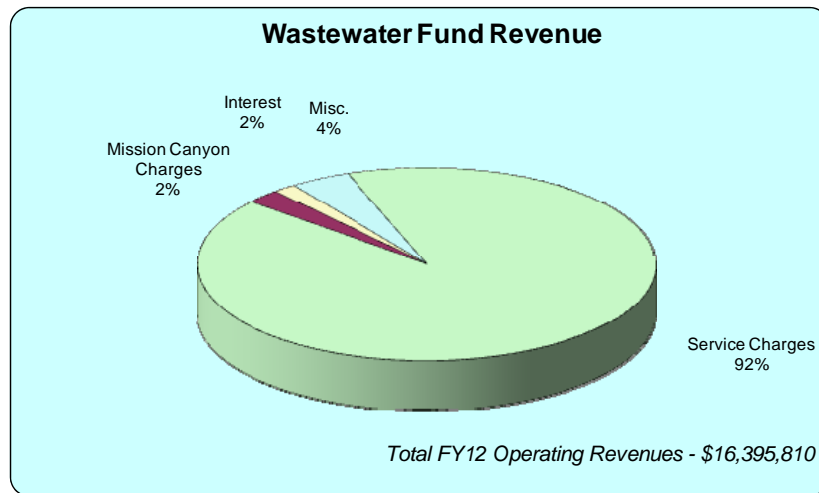
Enterprise Funds

WASTEWATER FUND

	Fiscal Year				
	2010 Actual	2011 Amended Budget	2011 Projected Actual	2012 Adopted Budget	2013 Proposed Budget
Revenue	\$ 14,506,332	\$ 15,211,662	\$ 15,103,560	\$ 16,395,810	\$ 16,221,714
Operating expenditures	11,945,287	12,770,847	12,115,631	12,760,427	13,451,188
Operating surplus	2,561,045	2,440,815	2,987,929	3,635,383	2,770,526
Capital Budget	3,467,415	13,751,126	6,143,797	5,500,000	4,500,000
Net addition to (use of) reserves	\$ (906,370)	\$ (11,310,311)	\$ (3,155,868)	\$ (1,864,617)	\$ (1,729,474)

The adopted fiscal year 2012 Wastewater Fund budget projects enough revenue to fund all operating costs and a significant portion of the \$5.5 million capital program. The remaining portion of the capital program is funded from the fund's reserves (\$1.9 million).

The budget reflects a 4% wastewater service rate increase, effective July 1, 2011, as recommended by the City's Water Commission and adopted by City Council. This increase continues the strategy to implement regular and relatively modest annual increases to provide revenues to address increasing capital needs.



Wastewater Fund revenue is much more stable than revenue in the Water Fund. Wastewater revenues are comprised almost entirely of the regular, monthly service charges. Because these are based upon the customer's water usage in the lower rate blocks, they are more stable and less susceptible to variations than metered water sales. Service charges are projected to provide \$15 million (92%) of

the nearly \$16.4 million revenue total. A one-time rebate of unused workers compensation insurance premiums, the second largest source of revenue for the fund, is budgeted at \$674,096. The other significant revenues are \$393,222 in charges to Mission Canyon (non-city) residents and \$267,300 in investment income.

Wastewater Fund operating expenses are budgeted at almost \$12.8 million and the adopted capital program is \$5.5 million. As the chart below indicates, capital represents 30% of the overall budget.



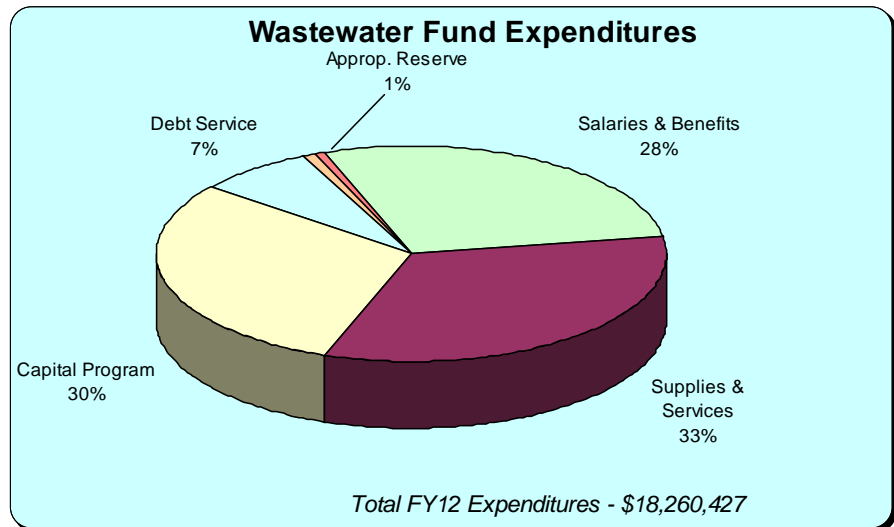
FUND OVERVIEWS

Enterprise Funds

Debt service, at \$1.4 million, represents 7% of the budget. In July 2004 the Wastewater Fund issued 25-year bonds for \$20.41 million. The bond proceeds generated \$18.5 million of project funds. \$2 million of the proceeds was spent to improve wastewater collection system capacity during wet weather. The remaining \$16.5 million is being used for major renovations at the

El Estero Treatment Plant. The plant is now 33 years old. An independent evaluation of the facility identified a ten-year capital improvement program necessary to protect the City's massive investment and to ensure compliance with the more stringent federal and state treatment standards. A total of \$26.5 million in adopted capital improvements was identified over the horizon of the study. The proceeds of the debt issuance have allowed those improvements to be constructed over the last several years.

In the period from fiscal year 2012 to fiscal year 2017, the capital program will exceed \$24 million. Managing the projects, especially those at the El Estero Treatment Plant, will be a major focus of the Wastewater Fund (Public Works) staff. The current year capital program of \$5.5 million includes \$3 million allocated to the replacement of existing influent pumps at El Estero Wastewater Treatment Plant, \$1.2 million for the sanitary sewer overflow compliance program, \$300,000 for lift station maintenance, and other improvements at El Estero Treatment Plant: \$400,000 for air system process improvements, \$390,000 for rehabilitation or replacement of major equipment and process components, and \$230,000 for the annual maintenance program (equipment and pipe replacement) at the plant.





FUND OVERVIEWS

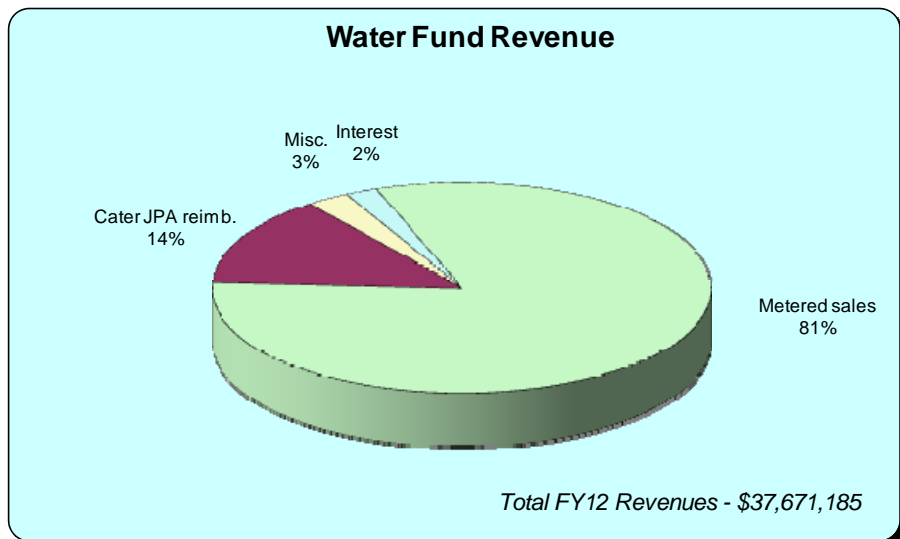
Enterprise Funds

WATER FUND

	Fiscal Year				
	2010 Actual	2011 Amended Budget	2011 Projected Actual	2012 Adopted Budget	2013 Proposed Budget
Revenue	\$ 33,766,789	\$ 34,758,863	\$ 34,283,930	\$ 37,671,185	\$ 38,297,300
Operating expenditures	24,947,101	32,320,009	28,823,242	31,236,125	31,595,760
Operating surplus	8,819,688	2,438,854	5,460,688	6,435,060	6,701,540
Capital Budget	5,647,746	20,438,723	10,239,710	11,125,000	5,870,000
Net addition to (use of) reserves	\$ 3,171,942	\$ (17,999,869)	\$ (4,779,022)	\$ (4,689,940)	\$ 831,540

The adopted fiscal year 2012 Water Fund budget contains operating revenues sufficient to fund a \$31 million operating budget and over half of the \$11.1 million capital program. The adopted budget reflects a 3.5% rate increase for metered water sales, effective July 1, 2011 as adopted by City Council.

As the chart on the right indicates, the vast majority of estimated Water Fund revenue is provided by metered water sales (\$30.7 million, or 81%). Interest income, budgeted at \$791,800, is derived from the investment of the Water Fund's capital and operating reserves. The other notable Water Fund revenue is a reimbursement from the Montecito and Carpinteria



Valley Water Districts. Under a Joint Powers Agreement (JPA), the City's Cater Water Treatment Plant treats drinking water for the City and both Districts. Under the terms of the JPA, the Districts pay their pro-rata share, which is a combined total of 39% of the operating and capital costs of the Cater Plant. The percentage is based on an allocation of Cater's water treatment capacity, and is projected to result in over \$5.1 million of revenue in fiscal year 2012. This amount includes the two districts' payments for their share of debt service associated with a 2002 \$19.2 million State Revolving Fund loan that has a 2.5132% interest rate and 2011 \$20.3 million State Revolving Fund loan with a 2.5017% interest rate. Both loans fund significant improvement projects at Cater necessary for Cater to meet more stringent pending federal drinking water quality regulations.



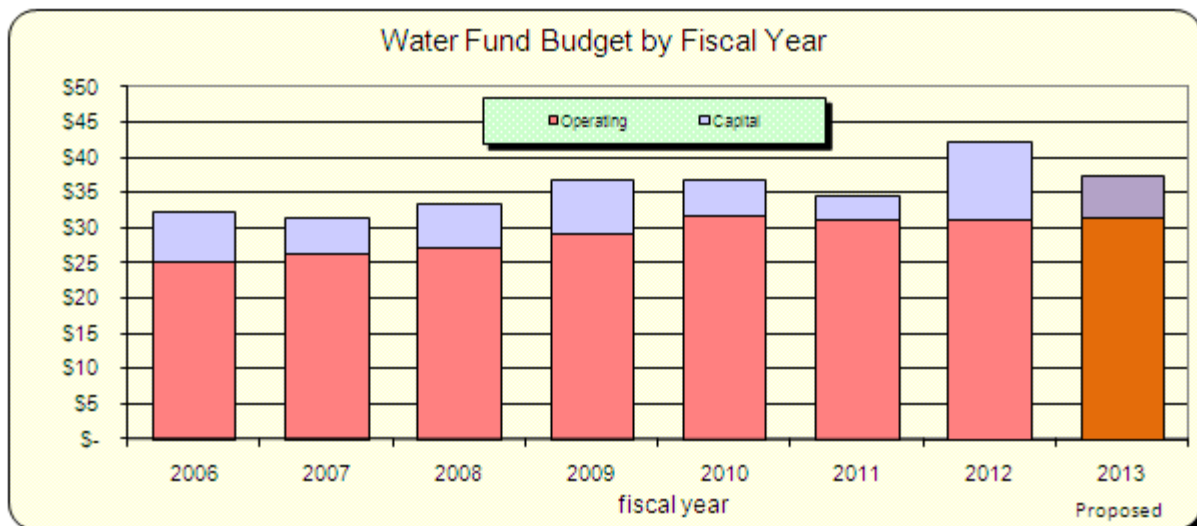
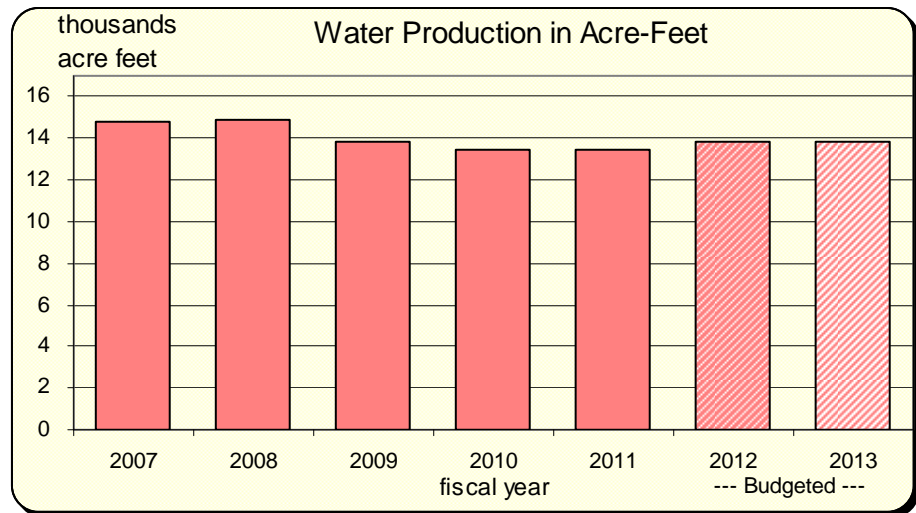
FUND OVERVIEWS

Enterprise Funds

With 81% of Water Fund revenue generated by metered water sales, the most important component of the revenue projection is the annual water sales estimate in acre-feet. As the chart indicates, water production varies from year-to-year based on weather and seasonal factors. Metered sales

revenue for the adopted 2012 budget is based upon an annual water production estimate of 13,800 acre-feet. Because a large portion of the Water Fund's costs are fixed, declining or stable water sales can have a negative impact on the overall financial health of the fund. City staff believes the fiscal year 2012 estimate is reasonably conservative. If revenues are less than projected, the capital expenditures in future years will be adjusted to ensure that the fund balance continues to include reserves at the policy levels.

As shown in the chart below, the operating budget has been growing since fiscal year 2006 as a result of increasing costs for water purchases, energy, and treatment supplies. Over that time, the





FUND OVERVIEWS

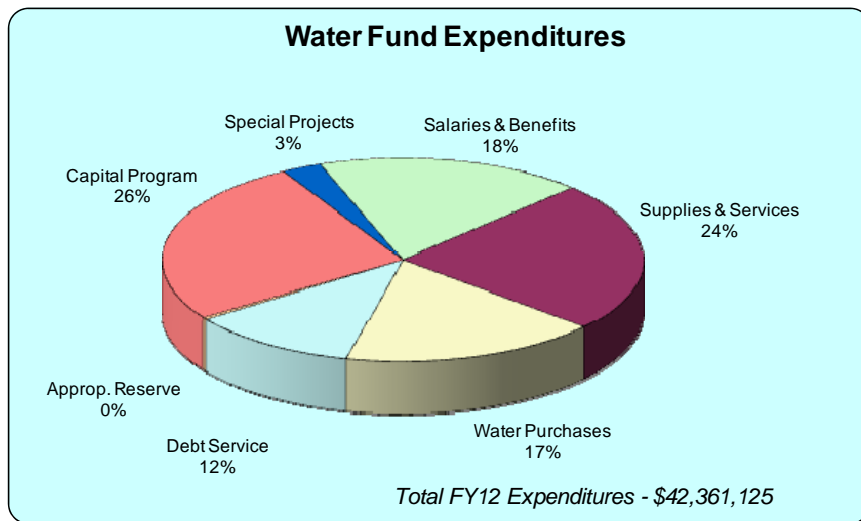
Enterprise Funds

operating budget has grown almost by \$6.2 million (25%). The increasing trend in operating costs combined with significant capital needs has led to rate increases over the last several years.

The adopted budget includes funding for capital improvement projects, including \$5 million for the annual water main replacement program, \$2.5 million to replace the well at the water facilities corporation yard, \$2.4 million for the on-going upgrade of equipment and facilities at the Cater Treatment Plant and at pump stations and reservoirs throughout the distribution system, and \$1.1 million for the rehabilitation of the aeration basin to improve recycled water production quality. During FY 2011, staff commenced work on the Advanced Treatment Project at Cater to change the process for treating water and allow the City to meet pending water quality regulations. This project is budgeted at \$20 million and is funded with a low interest loan from the State Revolving Fund Loan program. Another significant project also funded through the State Revolving Fund Loan program is the rehabilitation of the Ortega Groundwater Treatment Plant (nearly \$10 million).

The adopted operating budget is \$31.2 million, 24% of which is projected to be spent on water purchases. It is anticipated that \$2.4 million will be spent on water from the federal Cachuma Project, and \$4.8 million on water from the State Water Project.

As the chart below indicates, fixed costs, including water purchases and debt service, comprise



29% of Water Fund operating expenses. Because of the magnitude of these fixed costs, unlike most other City funds, salaries and benefits comprise only 18% of the Water Fund budget. Of the \$10.1 million of supplies and services, \$1 million is for electricity, approximately \$1.4 million is for facilities maintenance, and an additional \$1.4 million is

paid to the General Fund for overhead allocation. Other significant items include \$447,000 for vehicle replacement and maintenance charges, and \$266,000 for insurance. The combined amount for these items is just under \$4.5 million, which is 44% of the supplies and services budget.

The Water Fund has five outstanding debt obligations. As of June 30, 2010, the combined principal outstanding on the two bond issues and three State loans totaled \$47.3 million. The



FUND OVERVIEWS

Enterprise Funds

bond issues include a 1994 revenue bond (\$3.3 million outstanding), a 2002 Refunding Certificate of Participation (\$12.1 million outstanding); a loan from the State to construct and expand the City's water reclamation system (\$525,881 outstanding), a State loan for the Cater Water Treatment Plant Improvements (\$14.2 million outstanding), and a separate State loan for the Sheffield Reservoir Project (\$17.2 million outstanding).



FUND OVERVIEWS

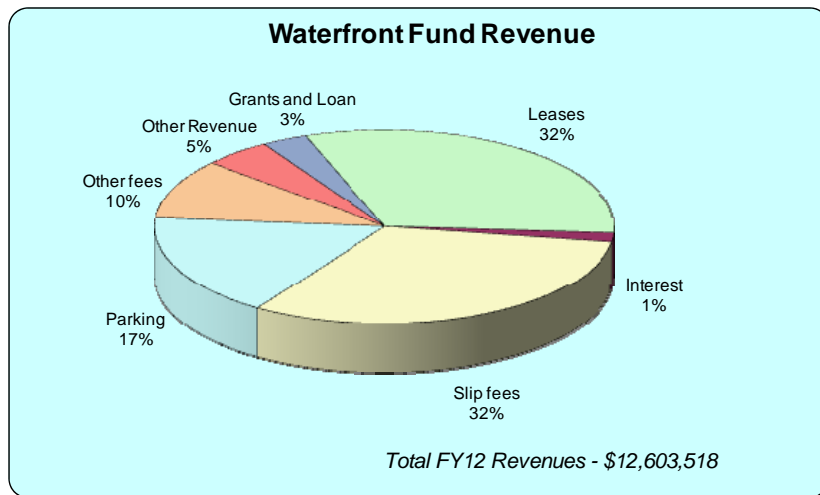
Enterprise Funds

WATERFRONT FUND

	Fiscal Year				
	2010 Actual	2011 Amended Budget	2011 Projected Actual	2012 Adopted Budget	2013 Proposed Budget
Revenue	\$ 11,601,669	\$ 11,762,974	\$ 11,269,029	\$ 12,203,518	\$ 11,974,941
Operating expenditures	9,757,162	10,881,073	10,666,942	11,017,294	11,413,062
Operating surplus	1,844,507	881,901	602,087	1,186,224	561,879
Capital Grants/Loans	41,000	7,745,713	1,300,000	400,000	-
Capital Budget	2,805,544	8,802,988	2,555,000	1,250,000	1,035,000
Net addition to (use of) reserves	\$ (920,037)	\$ (175,374)	\$ (652,913)	\$ 336,224	\$ (473,121)

The adopted Waterfront Fund budget for fiscal year 2012 contains sufficient operating revenue to fund all operating expenses. The \$1.3 million capital program will be funded from surplus revenue from the operating fund, and a \$400,000 loan from the California Department of Boating and Waterways.

As the chart below indicates, leases of waterfront property provide over \$4 million (32%) of total



revenue. Most of the Waterfront leases are long-term agreements on a "percent of gross basis" under which the Waterfront receives a minimum base rent, or up to 11% of the tenant's gross receipts, whichever is greater. The specific percent of gross receipts paid by the tenant varies from lease to lease. The Waterfront has a lease audit program to ensure that the City is receiving the

percentage rent to which it is entitled. The Waterfront has realized substantial additional revenues as a result of this lease audit program. Because virtually all of the significant leases are long-term in nature, the Waterfront has little control over lease revenue in the short run.

Parking fees collected at the 10 waterfront lots, including Stearns Wharf, generate approximately \$2.2 million, or 17% of total revenue. Included in this revenue category is approximately \$325,000 generated from the issuance of annual parking permits at the Waterfront parking lots. The adopted budget contains no increase in waterfront parking rates.

Slip fees are estimated to generate almost \$4 million (32%) of total revenue in fiscal year 2012. Other fees include visitor fees (\$463,000), slip transfer fees (\$425,000) and live-aboard fees

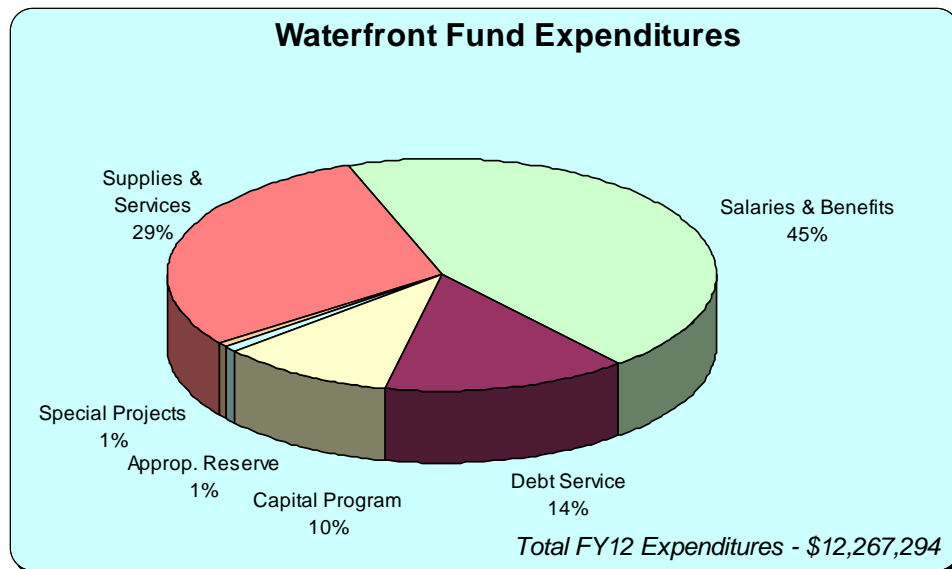


FUND OVERVIEWS

Enterprise Funds

(\$164,000). The adopted budget includes increases in both the slip rental fee (by 3%) and the slip transfer fee (increase of \$25 per foot).

Because the lease revenues are generally fixed in the short-term, the only revenue sources over which management can exercise near-term control are the parking and harbor-related fees.



The chart to the left displays the Waterfront Fund's expenses by category for fiscal 2012. The capital program (10%) and debt service (14%) combined represent almost a quarter of the total adopted budget.

The Waterfront Fund currently has four outstanding debt obligations. As

of June 30, 2010, the total outstanding balance for these three obligations totaled \$23.3 million. The 2002 Refunding Waterfront Certificates of Participation (\$14.9 million) represent a refinancing of debt originally issued in 1984 to fund repairs and capital improvements to Stearns Wharf and the harbor. In fiscal year 2010 the Department received approval of a \$5.55 million loan from the California Department of Boating and Waterways with a 30-year term at an interest rate of 4.5%. The other obligations are two loans from the City's General Fund for \$1.6 million and \$1.2 million. The proceeds of the \$1.2 million loan were used in the 1980s to make major repairs to Stearns Wharf. The Waterfront Fund is repaying the General Fund with 6% interest at the rate of \$107,000 per year and the loan will be fully repaid in 20 years. The second General Fund loan for \$1.6 million was issued in January 2006 and helped pay for the Chandlery Remodel/Administrative Offices project, completed in September 2005. This second loan is repaid to the General Fund, with 6% interest at the rate of \$123,503 per year.

Total operating expenses in the adopted budget are approximately \$136,000 (1.3%) higher than in the fiscal year 2011 amended budget.

The adopted \$1.3 million capital program includes annual capital maintenance of Stearns Wharf (\$300,000) and the Marina docks (\$225,000). Also included is funding for the launch ramp concrete repair (\$400,000) and replacement of Stearns Wharf lift stations (\$85,000). These projects comprise \$1 million of the total \$1.3 million capital program.



FUND OVERVIEWS

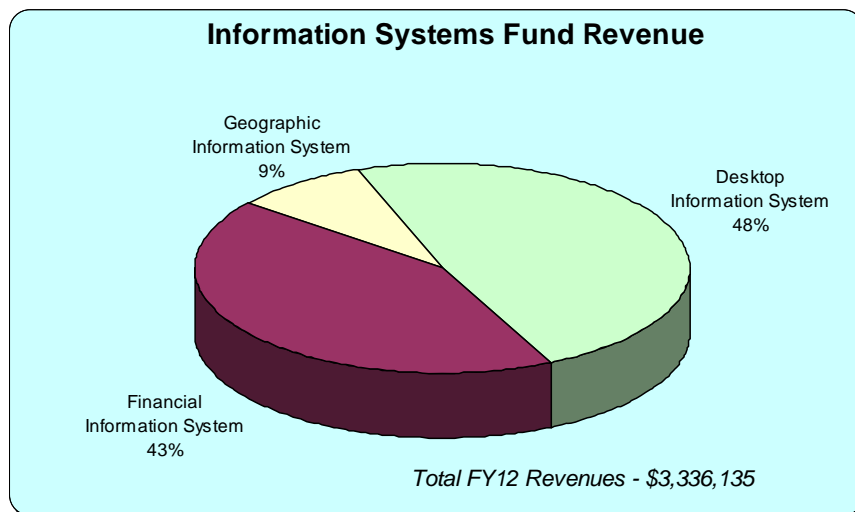
Internal Service Funds

INFORMATION SYSTEMS FUND

	Fiscal Year				
	2010 Actual	2011 Amended Budget	2011 Projected Actual	2012 Adopted Budget	2013 Proposed Budget
Revenue	\$ 2,446,400	\$ 2,302,393	\$ 2,298,005	\$ 2,306,135	\$ 2,348,725
Operating Expenditures	2,309,461	2,344,701	2,278,691	2,338,963	2,468,663
Operating Surplus/(Deficit)	136,939	(42,308)	19,314	(32,828)	(119,938)
Capital Transfers In	133,848	33,333	33,333	1,030,000	1,020,000
Capital Budget	223,433	150,034	106,666	1,030,000	1,020,000
Net addition to (use of) reserves	\$ 47,354	\$ (159,009)	\$ (54,019)	\$ (32,828)	\$ (119,938)

Information Systems was first established as an internal service fund in fiscal year 2004. Prior to that time, it was part of the General Fund. The adopted fiscal year 2012 budget reflects the one-time use of reserves due to increased application maintenance costs. We anticipate addressing this structural funding issue during the FY 2013 budget process. As an internal service fund, all of the revenue is generated from charges to other City funds and departments, allocated in proportion to services provided.

Information Systems is comprised of three programs. The Desktop Information Systems Program provides technical leadership, maintenance and user training and support for the City's 40 network segments and over 740 computer workstations. The Financial Information Systems Program provides programming, support, and training for the City's software applications comprising the City's in-house developed financial management system. The Geographic information Systems Program, established in fiscal year 2008, provides oversight and support for the City's centralized geographical information system database, including maps and reports.

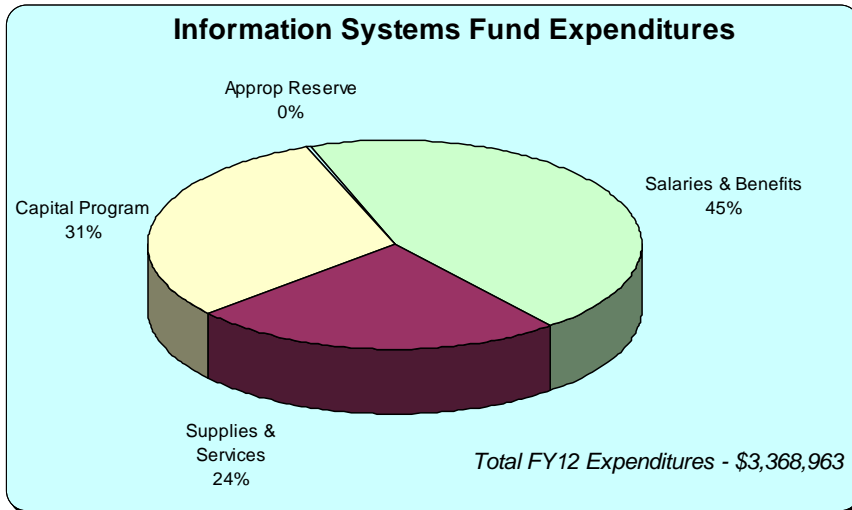


The Desktop Systems Program revenue is over \$1.6 million (48%), the Financial Information Systems Program revenue is approximately \$1.4 million (43%), and the Geographic Information Systems Program revenue is over \$300,000 (9%). As mentioned above, all revenue is derived from direct charges to other City funds and departments.



FUND OVERVIEWS

Internal Service Funds



As the chart to the left indicates, expenditures for fiscal year 2012 total \$3,368,963, including salaries and benefits for the 13.5 full-time equivalent positions (45%), capital program (31%), and supplies and services (24%).

The capital program (31%) for fiscal year 2012 totals \$1.03 million, nearly all of

which is for the financial management system (FMS) replacement project. The project is anticipated to take four years to replace the City's in-house designed, built, and maintained FMS with a vendor provided and supported application.



FUND OVERVIEWS

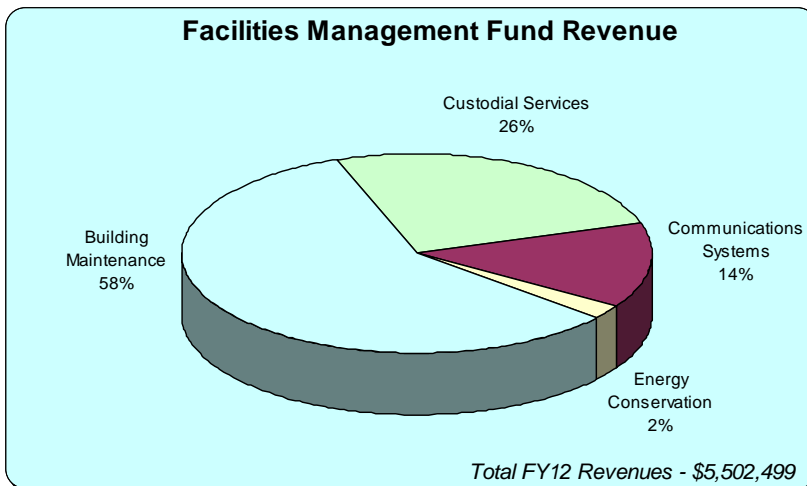
Internal Service Funds

FACILITIES MANAGEMENT FUND

	Fiscal Year				
	2010 Actual	2011 Amended Budget	2011 Projected Actual	2012 Adopted Budget	2013 Proposed Budget
Revenue	\$ 5,102,214	\$ 6,083,553	\$ 5,274,246	\$ 5,502,499	\$ 5,217,597
Operating expenditures	4,850,044	6,781,899	5,508,152	5,223,651	5,126,140
Net addition to (use of) reserves	\$ 252,170	\$ (698,346)	\$ (233,906)	\$ 278,848	\$ 91,457

Part of the City's Public Works Department, the Facilities Management Fund is an internal service fund providing services to other City funds and departments. The fiscal year 2012 budget reflects the surplus due to anticipated savings from labor concessions.

The Facilities Management Fund includes Building Maintenance, Custodial Services and Communications Systems operations that provide services exclusively to other City departments. Rates are evaluated regularly against industry standards and then charge other City operations for the related services.



The Building Maintenance function provides on-call response for repairs and maintenance of facilities throughout the City, as well as managing the General Fund's annual planned maintenance program. The facilities maintenance program also provides management of small and medium-sized improvements to various City facilities. The Communications Systems function

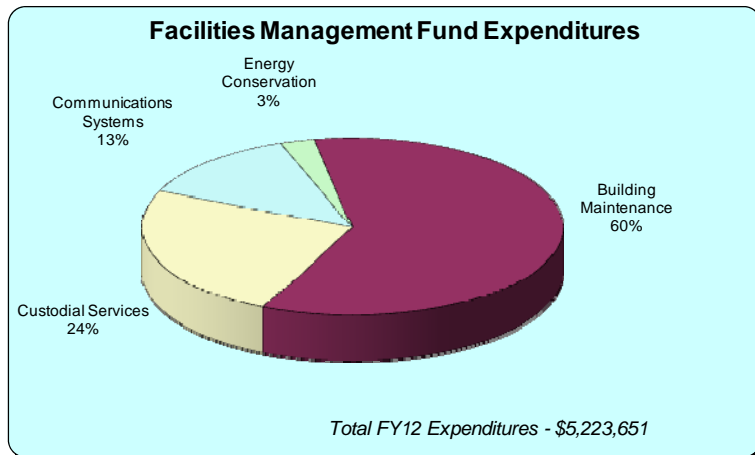
provides management and maintenance of the City's radio, telephone and related communications systems. The Custodial Services function provides custodial services to various City facilities. The chart displays the various Facilities Management Fund revenues for fiscal year 2012, of which 58% is attributable to facilities maintenance charges.

The Building Maintenance function operates on a work order system. Each job is tracked and billed to the customer department. Building maintenance staff handles repairs and call-out response. The planned maintenance program is handled almost exclusively by contract.



FUND OVERVIEWS

Internal Service Funds



The chart to the left displays the Facilities Management Fund expenses by program for fiscal year 2012. The Building Maintenance (59%) and Custodial Services (25%) combined represent almost 85% of the total adopted budget.



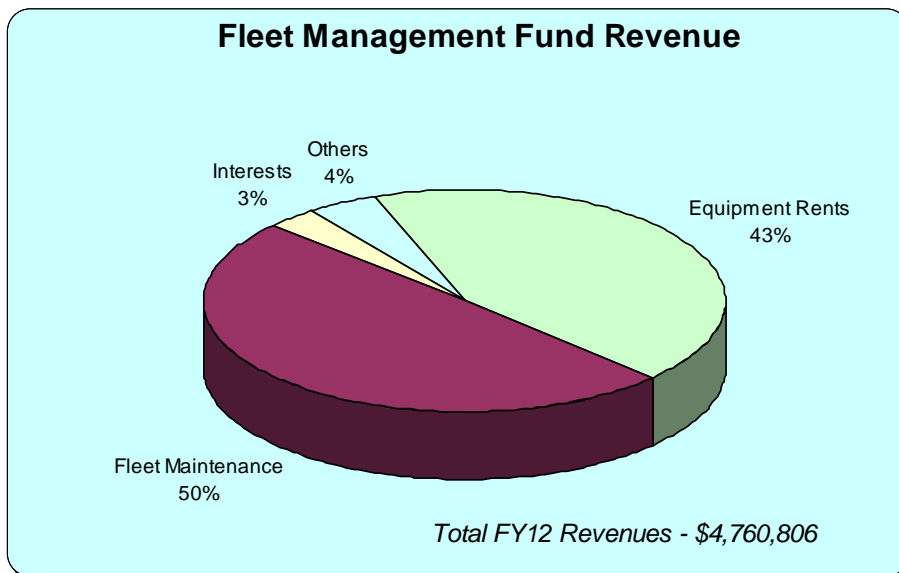
FUND OVERVIEWS

Internal Service Funds

FLEET MANAGEMENT FUND

	Fiscal Year				
	2010 Actual	2011 Amended Budget	2011 Projected Actual	2012 Adopted Budget	2013 Proposed Budget
Revenue	\$ 4,447,619	\$ 4,656,486	\$ 4,670,391	\$ 4,760,806	\$ 4,662,001
Operating expenditures	2,441,651	2,637,948	2,570,205	2,899,760	2,689,283
Operating surplus	2,005,968	2,018,538	2,100,186	1,861,046	1,972,718
Capital Budget	889,718	4,479,566	2,106,764	785,000	2,230,000
Net addition to (use of) reserves	\$ 1,116,250	\$ (2,461,028)	\$ (6,578)	\$ 1,076,046	\$ (257,282)

The Fleet Management Fund is an internal service fund providing services to other City funds and departments. Revenue in the adopted fiscal year 2012 budget is more than sufficient to fund all operating costs and the \$785,000 capital program. Nearly \$1 million of the \$1.1 million surplus will be used to support the City's fleet replacement program.



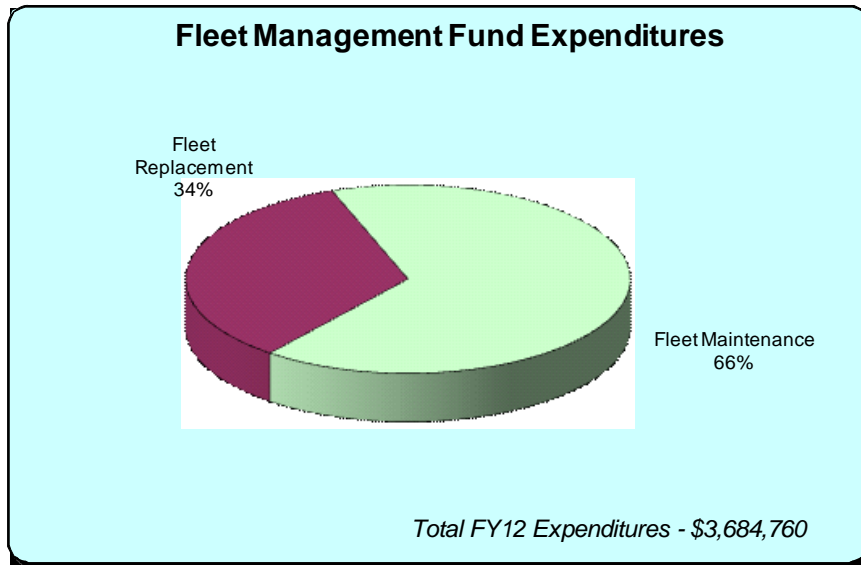
As shown in the chart to the left, 93% of revenue is attributable to Fleet Management vehicle maintenance allocations and equipment rental charges. Fleet Management charges an annual rental for each City vehicle in service. These rental payments are accumulated in a separate capital account and used to replace vehicles at the end of their lifecycle. Each

vehicle is also charged an annual maintenance fee, which covers all required maintenance and all repairs as needed. While the maintenance charge is a flat annual fee, actual costs to maintain and repair individual vehicles varies. On the whole however, sufficient funds are raised to maintain the City's vehicles and equipment in a safe and reliable condition.



FUND OVERVIEWS

Internal Service Funds



In fiscal year 2008, Fleet Management added the City's generators to the equipment planned replacement program and began to charge departments for the future replacement of generators at City facilities. The City has 13 large generators in service at various City buildings and the total replacement cost is nearly \$4.7 million. By charging an annual allocation, the City is able to ensure that

funds will be properly accumulated to replace each generator as their useful lives expire. Because the replacement rate for the generators was established over the generators lifecycle, from 2008 going forward, rather than retroactively, the full replacement costs will not be accumulated for generators currently in service.



FUND OVERVIEWS

Internal Service Funds

SELF-INSURANCE FUND

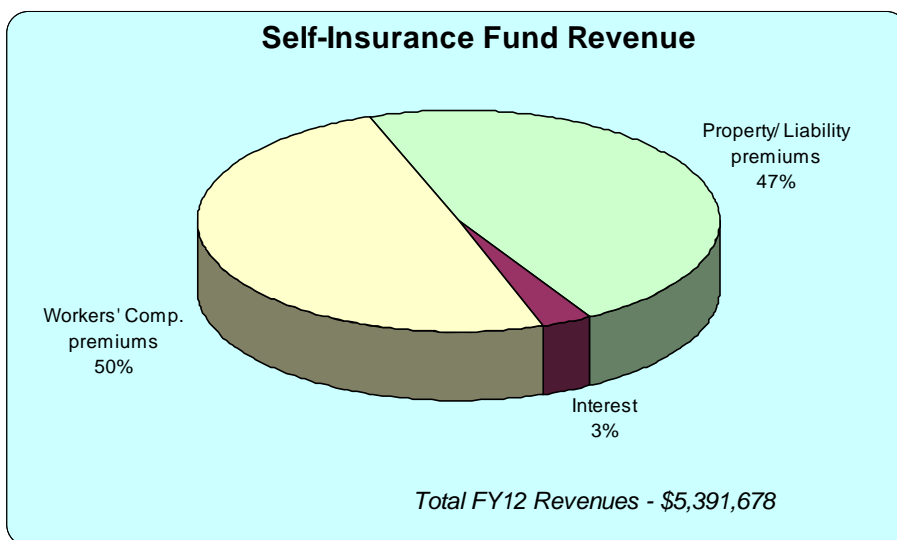
	Fiscal Year				
	2010 Actual	2011 Amended Budget	2011 Projected Actual	2012 Adopted Budget	2013 Proposed Budget
Revenue	\$ 5,993,871	\$ 5,694,553	\$ 5,693,202	\$ 5,391,678	\$ 5,547,686
Operating expenditures	5,068,817	6,194,111	5,768,130	8,959,711	5,499,613
Net addition to (use of) reserves	\$ 925,054	\$ (499,558)	\$ (74,928)	\$ (3,568,033)	\$ 48,073

The City is partially self-insured for both workers' compensation and liability. The City's self-insured retention (deductible) for workers' compensation is \$750,000 per occurrence. A commercial excess workers' compensation policy provides additional coverage above the City's self-insured retention. For liability, the City is a member of the Authority of California Cities Excess Liability (ACCEL), a joint powers authority created to pool common municipal liability exposures such as general, automobile and public officials errors and omissions liability. There are currently a total of 12 California cities in ACCEL. Member entities share the cost of losses from \$1 million to \$4 million and purchase commercial excess liability insurance with limits of \$45 million above the self-insured retention of \$1 million per occurrence. Because ACCEL is effectively a mutual insurance company, if the premiums the City pays are not needed to pay claims, they are returned to the City with interest, instead of becoming insurance company profits. Since the City has been in ACCEL, over \$6.5 million in premium rebates have been returned to the City. This is an excellent indication that, to date, ACCEL has been a major success.

Insurable property is covered for all risks by commercial policies with a pooled aggregate limit of \$1 billion. Deductibles vary depending on peril and apply on a per occurrence basis. The City has separate limits of \$50 million per occurrence for both flood and earthquake. The City's property

insurance is purchased through a consortium of over 4,000 public entities that pool their purchasing power in order to better manage costs. The City currently has declared insured property values totaling \$444 million.

The Self Insurance Fund acts as the City's own insurance company. As displayed in the chart above, the \$5.4 million of



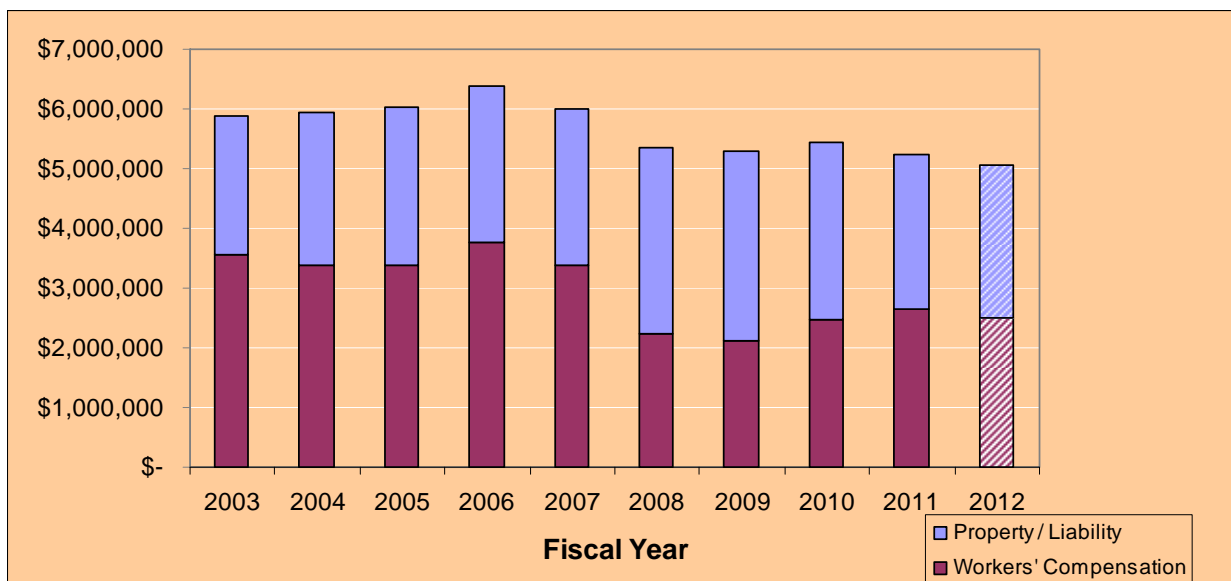


FUND OVERVIEWS

Internal Service Funds

total revenue contained in the adopted fiscal year 2012 budget is divided between workers' compensation premiums (50%), property and liability premiums (47%), and interest income (3%). As an internal service fund, the fund's revenue comes entirely from "premiums" charged to the City's other funds and departments for the coverage provided.

Like many entities, both public and private, the City experienced dramatic increases in the cost for all lines of insurance beginning in 2003. In particular, both workers' compensation and property insurance costs grew rapidly. As the table below indicates, as recently as fiscal year 2001, the total Self Insurance Fund "premiums" paid by the other City funds and departments totaled almost \$2.9 million. By fiscal year 2006, the premiums grew to a high of almost \$6.4 million. This is an increase of over \$3.5 million, or 121%, over the five year period and represented over \$3 million that was diverted from the actual programs and services provided by



the City's departments to pay for increased insurance costs. And the premium increase only tells half the story. Over that same period, the City had to accept significantly higher deductibles or premium increases would have been much larger. Since 2002, the City's deductible for workers' compensation has increased from \$300,000 to \$750,000 per occurrence and the property insurance deductible has increased from \$100,000 to \$250,000.

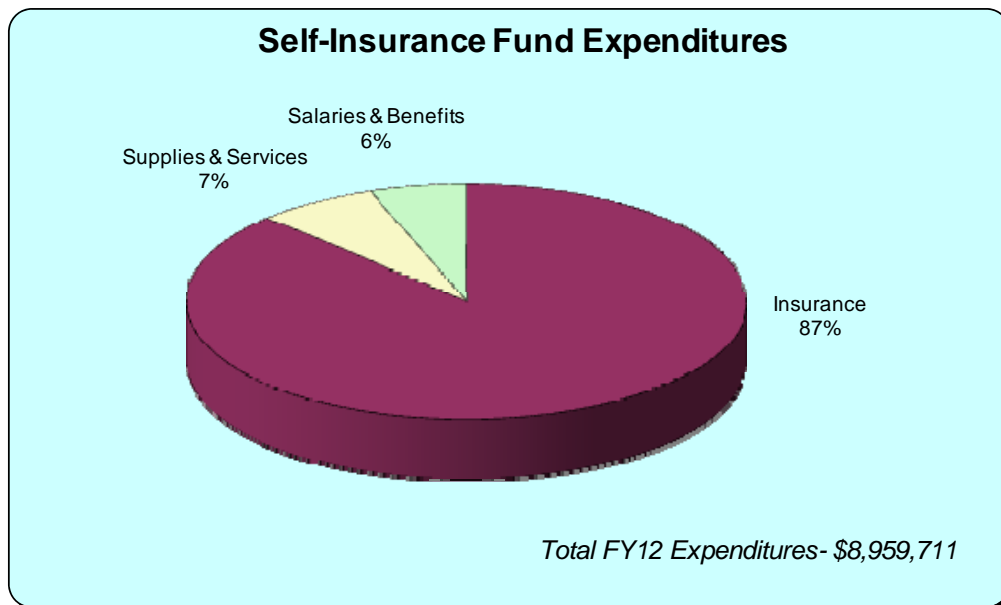
However, since the premium high in fiscal year 2006, city departments have experienced a slight reduction in the total premiums charged by the Self-Insurance Fund. In fiscal year 2007, property and liability expenses grew only 1.4%, while the cost of workers' compensation claims went down. Accordingly, the Risk Fund issued a "rebate" to departments in the form of reduced workers' compensation premiums that year. The fiscal year 2012 budget again contains another "rebate" to departments for workers' compensation premiums because of cost containment efforts coupled with the favorable trend in workers' compensation claims, which is expected to continue. Every two years, in conjunction with the budget development process, the City contracts for an actuarial



FUND OVERVIEWS

Internal Service Funds

study on its self-insurance programs. The actuarial study recommends both how much the City should have in its self-insurance reserves and how much the City should budget for claims expense for each of the next two years. The actuarial study is based upon a combination of the City's specific loss history and certain industry standards. It has been the City's experience over the years that the actuarial study, because of its conservative assumptions, generally over-estimates the amount needed by the City for annual claims expense. This is due to the generally conservative nature of the study and the fact that the City's loss experience continues to be better than public agency industry standards. Based upon this experience, the City has traditionally set the premiums charged to the City's various funds significantly lower than the actuarial study recommends. This is once again true with the most recent actuarial study and the adopted fiscal year 2012 budget, containing the workers' compensation "rebate" to departments as discussed previously.



The chart on the left displays the Self-Insurance Fund's expense budget by category. Insurance costs represent a full 87% of the budget. Insurance costs include premiums paid for commercial insurance (property insurance, for

example), as well as the claims budget for the City's self-insured exposures such as liability and workers' compensation.

In addition to managing the City's insurance portfolio, staff from the Self-Insurance Fund also provides occupational safety services to the City's operating departments. This includes a significant training program, as well as accident investigation and working with departments to minimize the City's exposure to liability. The fact that the City's claims experience consistently runs below the actuarial projections is a testament to the effectiveness of the City's risk management program.

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